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Supreme Court of the United States

October Term, 1964

No. 325

AMPTO, INC., a corporation,
Petitioner,

AGAINST

AMERICAN PHOTOCOPY EQUIPMENT COMPANY, a corporation (Substituted as plaintiff-appellant for COPEASE MANUFACTURING CO., INC.),
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE SUPERIOR COURT OF NEW JERSEY, APPELLATE DIVISION

SAMUEL J. STOLL,
Attorney for Petitioner,
No. 350 Fifth Avenue,
New York, N. Y.

JOHN R. KNOX,
Of Counsel.

LODER APPEAL PRESS, INC., 41 VESEY STREET, NEW YORK, N. Y. WOrth-2-0689

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PETITION FOR A WRIT OF CERTIORARI TO THE SUPERIOR COURT OF NEW JERSEY, APPELLATE DIVISION

Petitioner prays that a writ of certiorari issue to review the judgment of the Superior Court of New Jersey, Appellate Division entered on February 20, 1964

I

Opinions and Judgments Below

Opinion of the Superior Court of New Jersey, Chancery Division, Sussex County, November 21, 1961, not officially reported; unofficially reported at 131 USPQ 449 (Appendix A).

Final judgment of the Superior Court, entered January 10, 1962 (Appendix B).

Opinion of the Superior Court of New Jersey, Appellate Division, February 20, 1964, officially reported at 82 N. J.

Super. 531; unofficially reported at 140 USPQ 616 (Appendix C).

Order of the Supreme Court of New Jersey, entered April 27, 1964, denying certification, officially reported at 42 N. J. 291 (Appendix D).

II

Statement of the grounds on which jurisdiction of this Court is invoked.

1. Judgment of the Superior Court of New Jersey, Appellate Division, entered on February 20, 1964.

2. No rehearing was requested or granted. Certification was denied by the Supreme Court of New Jersey on April 27, 1964.

3. Jurisdiction of this Court is invoked under the Constitution of the United States, Article I, Section 8, Clause 8; 28 U. S. Code, Section 1257(3); and Rule 19, paragraph 1(a) of the Supreme Court Rules.

4. Certiorari is directed to the Appellate Division pursuant to *Western Union* v. *Priester*, 1928, 276 U. S. 252; 48 S. Ct. 234; *American R. Express Co.* v. *Levee*, 1923, 263 U. S. 19; 44 S. Ct. 11.

III

Question Presented for Review

In a State Court action for patent license royalties, does the Court have authority under the Patent Clause of the United States Constitution to determine the patent monopoly to be broader than the patented invention?

IV

The constitutional and statutory provisions involved in the present case.

United States Constitution, Article I, Section 8, Clause 8:

> "The Congress shall have Power
>
> "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;"

United States Code, Title 35, Section 101; July 19, 1952, c. 950, §1, 66 Stat. 797:

> "§101. Inventions patentable
>
> "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor subject to the conditions and requirements of this title."

United States Code, Title 35, Section 102; July 19, 1952, c. 950, §1, 66 Stat. 797:

> "§102. Conditions for patentability; novelty and loss of right to patent:
>
> "A person shall be entitled to a patent unless—
>
> "(f) he did not himself invent the subject matter sought to be patented. * * *"

United States Code, Title 35, Section 119; July 19, 1952, c. 950, §1, 66 Stat. 800:

> "An application for patent for an invention filed in this country by any person who has, or whose

legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed; * * *."

United States Code, Title 28, Section 1257(3); June 25, 1948, c. 646, 62 Stat. 929:

"§1257. State courts; appeal; certiorari

"Final judgments or decrees rendered by the highest court of a State in which a decision could be had, may be reviewed by the Supreme Court as follows:

"(3) By writ of certiorari, where the validity of a treaty or statute of the United States is drawn in question or where the validity of a State statute is drawn in question on the ground of its being repugnant to the Constitution, treaties or laws of the United States, or where any title, right, privilege or immunity is specially set up or claimed under the Constitution, treaties or statutes of, or commission held or authority exercised under, the United States."

V

Statement of the Case

1. The original plaintiff herein, Copease Manufacturing Co. Inc. ("Copease"), instituted this suit in the Su-

perior Court of New Jersey, Chancery Division, against defendant Ampto, Inc. ("Ampto"), as well as against other defendants (subsequently dropped), for patent license royalties pursuant to a certain license agreement under Eisbein Patent No. 2,657,618 relating to a photocopy developing apparatus. A brief description of said apparatus and of the diffusion transfer photocopy process to which it relates is hereto annexed as Appendix E.

2. Two defenses were raised:

a) Improper execution of the license agreement; and

b) Non-use of the Eisbein patent.

3. The Trial Court held for the defendant on the ground that defendant's accused machines did not embody the invention of the patent in suit. The Court found it unnecessary to determine the question of validity of the license agreement (see Appendices A and B).

4. Plaintiff (Copease) appealed to the Appellate Division of the Superior Court of New Jersey. During pendency of this appeal plaintiff prevailed in the United States Court of Appeals for the Seventh Circuit in a previously instituted patent infringement action against American Photocopy Equipment Company ("Apeco"). This case, instituted in the United States District Court for the Northern District of Illinois, resulted in a decision holding the Eisbein patent here in suit infringed but not valid (*Copease Manufacturing Co. Inc.* v. *American Photocopy Equipment Co.*, D. C. Ill. 1960, 189 F. S. 535). This decision was reversed by the Court of Appeals, 7 Cir. 1961, 298 F. 2d 772, holding the patent valid as well as infringed.

5. Apeco, the defendant in the Seventh Circuit litigation, thereupon purchased the Eisbein patent in suit and

all license rights thereunder, and was thereupon substituted as plaintiff-appellant in the present action.*

6. Subsequent to this substitution of parties plaintiff, the Appellate Division reversed the Trial Court in the case at bar and held for the plaintiff on the ground that the license agreement was binding on defendant and that defendant's accused machines embodied the inventions of the patent (see Appendix C).

7. Defendant thereupon petitioned the Supreme Court of New Jersey for certification. On April 27, 1964 the Supreme Court, without opinion, entered an order denying certification (see Appendix D).

8. The errors of the Appellate Division, which gave rise to the question herein presented in the petition for certiorari, may be summarized as follows: The Appellate Division determined the scope of the patent monopoly solely in terms of the language of the claims, notwithstanding the specification, in total disregard of the only testimony in the case bearing on the scope of the invention, and in further disregard of all other evidence in the case relating to the same issue. In short, the Court measured the patent monopoly against the claims instead of the invention.

9. The erroneous test applied by the Appellate Division to determine the scope of the patent monopoly is apparent from the following excerpts from the Court's decision:

> "The trial court's decision appears to have been based on the erroneous concept that an accused machine is not covered by a patent if it is not within the expressed 'specifications' of the patent, in-

* The published purchase price was $5,500,000.

dependently of whether it comes within its 'claims'" (Appendix C, p. 37, ll. 16-20).

"*The role of the court in this respect is to determine from the language of the claims* of the patent in suit the characteristics of the particular kind of photocopy machine that Eisbein invented and license to Ampto and then to examine the accused machines to determine whether they are the same as that envisaged by the patent in terms of their structure, mode of operation, and results accomplished" (Emphasis supplied) (Appendix C, p. 44, ll. 4-11).

"*We thus conclude that notwithstanding the specifications* of the patent the most reasonable and natural interpretation of the claim language is above quoted is * * *" (Emphasis supplied) (Appendix C, p. 48, ll. 26-28).

"*Our conclusion, then, is that the Ampto machines* introduced into evidence below *come within the coverage of both of the independent claims #1 and #5* of the Eisbein patent in suit *and thus 'embody the inventions' of that patent*" (Emphasis supplied) (Appendix C, p. 65, ll. 15-19).

10. Not the Trial Court, but the Appellate Division, was in error. The invention is *not* to be determined from the language of the claims, "notwithstanding the specifications". The accused machines do *not* "embody the inventions" of the patent simply because, *arguendo*, they "come within the coverage" of the claims. *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 1938, 305 U. S. 47, 57; 59 S. Ct. 8, 12.

11. Erroneously disregarded by the Appellate Division was the only testimony in the case bearing on the nature and extent of the patented invention. This testi-

mony, introduced by defendant, was not disputed nor controverted. It was not inherently improbable or unbelievable. It was based on personal knowledge of the facts by an expert in the field. The testimony was accepted by the Trial Court and the Appellate Division made no finding of fact to the contrary.

12. The testimony was to this effect: The Eisbein machine as disclosed in the patent in suit and defendant's accused machines represent "two conflicting schools of thought concerning the best way to carry out the diffusion-transfer process" (Appendix C, p. 45, ll. 23, 24). The Eisbein patent "intentionally effects complete separation of the sheets [within the processing solution] inside the machine until they reach the rollers" (Appendix C, p. 45, ll. 19-21). In the accused machines "the photographic sheets inserted between the plates are progressively forced into contact" with each other within the processing solution (Appendix C, p. 45, ll. 8, 9).

13. Illustrative excerpts from this testimony follow:

> "This application was filed in the early state of the diffusion-transfer art. * * * At the time that Eisbein developed this machine that art had developed only to the point where it was believed necessary to keep the two sheets separate from touching each other while they were being immersed in the processing solution and to permit the coatings to become thoroughly saturated with the processing solution and further to permit the negative layer to become developed and then, and only then, to bring them together" (p. 268a-30 to 269a-6).*
>
> "* * * subsequent to Eisbein's development of this machine the advancement made in the chemical

* These page numbers refer to the Appendix to Appellant's Brief before the Appellate Division.

aspect of the process, na . the coatings and the processing solution, s . that not only was it unnecessary to mai the two sheets in a separate relationship ey had passed into the nip of the rollers b any such guide arrangement was disadvan as" (p. 271a-14 to 20).

"So to follow eaching of the Eisbein patent one would hav o go against the desired practice * * * *" (p. 272a-30).

14. Erroneously disregarded by the Appellate Division was a decision of the West German Supreme Court, published December 21, 1962, in litigation involving the German counterpart of the Eisbein patent here in suit and the patent of another. The following excerpt, taken from an English translation of the German decision, confirms the above testimony:

> "It doesn't matter here which subjective ideas may have motivated the Defendant [Eisbein's adversary] as inventor and applicant. He also was still guided, when applying for the patent, by the mistaken conception that an effective diffusion process would already be initiated with the meeting of the coated carriers on the lower slideway and that—contrary to the opinion of the experts—this premature diffusion would not have a detrimental but rather a beneficial effect upon the image transfer. * * * Essential is only that the average person familiar with the art had the apparently unsurmountable suspicion the image transfer would be impaired if the coated carriers would lie upon each other, after wetting, and would be advanced without assurance against relative shifting. In a like manner, Agfa * has also stressed in their instructions for the Copyrapid process, time and again,

* Eisbein designed the machine of the patent here in suit for Agfa.

that the papers were conveyed through the developer 'without mutual contact' * * *. * * *. Significant for the prevailing conception of the experts is also Agfa's letter of April 10, 1951 * * * in which it is pointed out to the Defendant that in the Duplomat unit the two paper sheets were already too long in some contact before they were effectively pressed together by the rollers; thereby the quality of the prints would be impaired. The Agfa therefore asked the Defendant 'to redesign the feed assembly of the Duplomat unit up to the location at which the papers are pressed together'. This remark by Agfa is also a strong proof of the prejudice existing among experts at that time."

15. The significance of the German decision resides in the fact that Eisbein requested and obtained the benefit of the filing date of his German patent for his United States patent here in suit. Such request was made on January 29, 1953, presumably pursuant to Title 35 of the United States Code, Section 119 (July 19, 1952, c. 950, §1, 66 Stat. 800).

16. There is no determination by this or any other Court in the United States as to the legal effect in this country of a foreign adjudication of a foreign patent from which a corresponding United States patent derives priority under the above statute. With particular reference to the present case, did the Courts below have authority under Title 35 of the United States Code, Section 119, or otherwise, to determine the invention of the United States Eisbein patent here in suit to be broader than the invention of the corresponding German patent as determined by the German Supreme Court?

17. Erroneously disregarded by the Appellate Division was the patentee's own interpretation of the patent in suit

as set forth in a subsequent patent issued to the same patentee. This interpretation confirmed the testimony mentioned in above paragraphs 11, 12 and 13. See *Weber Electric Company* v. *Freeman Electric Co.*, 1921, 256 U. S. 668, 678.

18. Erroneously disregarded by the Appellate Division was the present plaintiff's own interpretation of the patent in suit as presented to the United States District Court for the Northern District of Illinois and to the United States Court of Appeals for the Seventh Circuit (in *Copease Manufacturing Co. Inc.* v. *American Photocopy Equipment Co., supra*) prior to its acquisition of said patent. Plaintiff's interpretation of the patent in that suit confirmed the testimony mentioned in above paragraphs 11, 12 and 13. There appears to be no determination by this Court on the significance of contradictory factual and legal contentions by the same party in different litigation relating to the same patent.

19. The present petition raises no disputed questions or issues of fact. It is based solely and exclusively on a point of law supported by the following:

a) The fact that the Appellate Division based its decision solely upon its interpretation of the language of the claims, "notwithstanding the specifications" and without regard to the drawing.

b) The fact that the Appellate Division failed to determine the patentee's contribution to the art in order to measure the patent monopoly.

c) The fact that the Appellate Division failed to take into account the only testimony in the case bearing on the patentee's contribution to the art. As hereinabove appears, this testimony, which was undisputed and uncontroverted, clearly and unequivocally showed that the patented invention did not encompass the accused machines.

d) The fact that this testimony was confirmed by the German Supreme Court in litigation dealing with the German counterpart of the United States Eisbein patent here in suit.

e) The fact that this testimony was confirmed by the patentee himself in a subsequently issued patent.

f) The fact that this testimony was confirmed by the present plaintiff in litigation in the 7th Circuit prior to its acquisition of the patent in suit.

VI

The Federal question herein sought to be reviewed was raised in the State Courts below.

This question was raised before the Trial Court, the Appellate Division, and the Supreme Court. Illustrative of the way in which it was raised before the Trial Court are certain excerpts from the Trial Court record which are hereto annexed as Appendix F. Illustrative of the manner in which the question was raised before the Appellate Division are certain excerpts from the briefs of the present petitioner which were submitted to the Appellate Division and which are annexed hereto as Appendix G. Illustrative of the manner in which the question was raised before the Supreme Court are excerpts from the petition for certification and the reply brief, which were submitted by the present petitioner and are hereto annexed as Appendix H.

At all stages of the proceedings before all three State Courts the Federal question herein sought to be reviewed was timely and properly raised. The question, however, did not actually arise as a live issue until the Appellate Division rendered its decision.

VII.

Reasons for Allowance of the Writ

1. The petition presents a federal question of substance which has not heretofore been determined by this Court.

2. Stated generally, the question is whether a patent monopoly which is broader than the patented invention is enforceable in litigation in which the validity of the patent is not in issue.

3. More specifically, to what extent, if at all, is a patent monopoly, which is broader than the invention, enforceable against one who is precluded by agreement from challenging its validity, especially in a Court which is precluded by law from questioning its validity?

4. With particular respect to the present action for patent license royalties, to what extent, if at all, is the patent monopoly of the patent in suit enforceable against the present petitioner, where such monopoly is conclusively shown to be broader than the patented invention, and where the accused machines are conclusively shown to be outside the scope of the patented invention and within the public domain?

5. In the analogous case of patent infringement litigation between the assignee and assignor of a patent, this Court has held that:

> "Of course, the state of the art cannot be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity." (*Westinghouse Electric & Mfg. Co.* v. *Formica Insulation Company*, 1924, 266 U. S. 342, 351.)

See also:

Scott Paper Co. v. *Marcalus Manufacturing Co.*, 326 U. S. 249, 66 S. Ct. 101.

6. In the analogous case of patent infringement litigation between strangers, this Court has held that:

> "the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention." (*Morton Salt Co.* v. *G. S. Suppiger Co.*, 1942, 314 U. S. 488, 492, 62 S. Ct. 402, 405.)

7. In the analogous case of unfair competition litigation under State law, this Court has held that:

> "when an article is unprotected by a patent or a copyright, state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Art. I, §8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain." (*Compco Corp.* v. *Day-Brite Lighting, Inc.*, 1964, 376 U. S. 234, 84 S. Ct. 779, 782).

See also:

Sears, Roebuck & Co. v. *Stiffel Company*, 1964, 376 U. S. 225, 84 S. Ct. 784, 789.

8. However, where, as here, this very question of enlargement of the patent monopoly arose in patent license litigation, this Court withheld a determination:

> "But there are alternative Federal questions raised here by MacGregor upon which decision might turn even though Westinghouse's patent be

held valid. * * * MacGregor also contended that the license contract should be held unenforceable in the courts on the ground that Westinghouse had attempted to use it to extend the patent's scope beyond its lawful coverage. But since the cause must again be tried in the State court, we shall not pass on either of these contentions at this time." (*MacGregor* v. *Westinghouse Electric & Mfg. Co.*, 1947, 329 U. S. 402, 407, 61 S. Ct. 421, 423.)

9. This is the very point at issue in the present case. As stated in the Petition for Certification to the Supreme Court of New Jersey, page 4:

> "Eisbein has claimed more than he has invented. His claimed monopoly exceeds his alleged invention. To the extent that his claims and his patent monopoly exceed his invention, they violate the Constitution and the statutory Patent Law of the United States, and may not be enforced against the public including the present defendant."

10. The question which was thus raised but not answered in the *MacGregor* case, *supra*, and which has now been raised in the present case, is of wide interest and public concern in the broad field of patent law. It is not merely a private question, of concern only to the present litigants; it arises in virtually all patent royalty litigation.

11. Moreover, the application of this question to the particular patent in the present suit affects not only the immediate parties hereto but also the entire diffusion transfer photocopy industry. The Eisbein patent dominates the industry, through ownership by the present

plaintiff, license agreements with important segments of the industry, and litigation with the rest of the industry.

12. This patent has been and continues to be involved in extensive infringement litigation in the Second and Seventh Circuits. It was adjudicated valid and infringed in litigation against its present owner (*Copease Manufacturing Co. Inc.* v. *American Photocopy Equipment Co.*, 7 Cir. 1961, 298 F. 2d 772). There are a number of pending cases against alleged infringers, including *Smith-Corona-Marchant, Inc.* (in the Southern District of New York) and *A. B. Dick Co. Inc.* (in the Northern District of Illinois). Consent judgments have been rendered against other alleged infringers of the patent, including one such judgment against *Speed-O-Print Corporation*, in the Northern District of Illinois, providing for a payment of $377,628.86 in damages for past infringement. A number of license agreements are now in force under this patent, providing for the payment by the manufacturer-licensee of a royalty of 6% based not on the manufacturer's selling price but on the ultimate retail selling price, and based not on the patented component of the machine alone (the developing mechanism) but on the unpatented component as well (the exposure mechanism).

CONCLUSION

The Writ of Certiorari Should Be Granted

Respectfully submitted,

SAMUEL J. STOLL,
Attorney for Petitioner.

JOHN R. KNOX,
Of Counsel.

Appendix A

ORAL DECISION AND OPINION OF MILLS, J. C. C.

(November 21, 1961)

Before:

HONORABLE ELDEN MILLS,
J.C.C.

Appearances:

WILLIAM J. MCGOVERN, Attorney for plaintiff.

MORRIS, DOWNING & SHERRED, Attorneys for defendants.
By: JOHN R. KNOX and SAMUEL J. STOLL.

JOHN P. MURRAY
Official Court Reporter

The Court: What is primarily before the Court in this case, I believe, is a question as to whether or not the plaintiff, Copease Manufacturing Co., Inc., a corporation, is entitled to an accounting against the defendant Ampto, Incorporated. As has been indicated during the trial, there were two other corporate defendants in this suit which are not now involved in the final determination of the matter, namely Ampto Equipment Corporation and the Anken Chemical and Film Corporation.

The controversy in issue here arises by virtue of what is described as a license agreement which was received in evidence by consent of both parties as Exhibit P-2. This license agreement was dated the 19th day of March, 1956, between Copease Manufacturing Co., Inc., the plaintiff in this suit, and Ampto, Incorporated, a New Jersey corporation, the defendant in this suit.

The license agreement provides that the plaintiff is the holder of letters patent of the United States No. 2,657,618, relating to photo copying machines, issued on November 3, 1953 in the name of Walter Eisbein. The agreement purports to grant to the licensee or the defendant a non-exclusive, non-transferrable license to make, use and sell to the licensee's dealers and through the licensee's own offices and agents to the end users, in and throughout the United States of America its possessions and territories, any and all photo copying machines embodying the inventions covered by said letters patent.

I also note, by way of passing, that this agreement provides for a payment in the nature of a royalty, the price for selling the machines, and the agreement shall continue until the patent expires; as I understand it, and there were provisions in there whereby the plaintiff, Copease Manufacturing Co., Inc., could terminate the agreement if the defendant did not live up to the provisions thereof.

Now, this photographic copying machine has been described by the various witnesses from Exhibit P-12, which is the patent which was filed on April 17, 1950 and apparently granted on November 3, 1953. Mostly everybody agrees and testifies that it is a device for developing exposed photographic sheet material and for simultaneously transferring an image onto an unexposed transfer sheet material by moistening the materials with a developer liquid and by subsequently pressing the materials into contact with one another, and so forth.

Now, one of the witnesses testified, and I forget for the moment who it was—I believe it was Mr. Conner—that there were two phases to the patent. "Two steps" is his precise language and definition.

He said that the second one is a developing operation and the first one, with which the patent does not concern

itself directly, is the exposure operation, the exposure operation having been described in the patent, P-12, as the French patent No. 879,995.

Now, the matters in issue have apparently been resolved down into two, although the pre-trial order as entered by Judge Stanton on January 20, 1960 contains some other questions, such as the question of the foreign corporation, whether there has been abandonment of the contract, and so forth. As I see the issues at the present time, they are two in number. The two questions resolve down to the present time as follows: Number one, whether or not the contract is valid, the argument being that since the contract was not executed by any officer of Ampto, Incorporated, since it was not a contract which would be in the usual course of business, since the Board of Directors had never authorized the contract and since there had been no ratification of it, that therefore the contract is void; number two, the argument is that the defendant did not manufacture any of the devices described in the patent or in Exhibit P-12.

Now, as I indicated on deciding the motion at the conclusion of the plaintiff's case, it isn't all a question of the validity of the contract, as to whether or not there was an authorization, but there were other matters, such as the length of time the contract remained in being, whether or not something had actually been done upon it, whether or not the defendant had taken advantage of it, and I think I described several others, but I think for the purposes of deciding this case, without deciding whether or not that contract is valid, but assuming a minute that it is, let's pass on to the point of issue which I think is pertinent to the whole case, and that's whether or not the plaintiff in this case, Copease Manufacturing Co., Inc., has carried its burden of proof in proving that the defendant has

manufactured these photographic devices in accordance with the contract. In other words, if Ampto, Inc. has not manufactured and sold the photo copying machines which embody the inventions covered by the letters patent, then it makes no difference whether or not the contract is valid or whether it is illegal or ultra vires or however you want to describe it.

Now, as I indicated to you before, the burden of proof is upon the plaintiff. Has the plaintiff carried that burden of proof? Let's look at the testimony a minute. The plaintiff produced an expert witness by the name of William Conner, who described the photo copying apparatus as an apparatus for developing photo copies according to what is generally known as the diffusion transfer process. The diffusion transfer process is a photographic process by which positive copies of an original document can be made in a single operation. There is no dispute about that. Mr. Weber so testified.

Now, Mr. Conner if you will recall his testimony, taking P-12, which was in evidence at the time, and using the four photo copying machines which we have in evidence, namely, P-7, 8, 9 and 10, he went through the claim describing the line from column 4, which I read before as the preamble, and from there he went on with Item No. 1 and Item No. 5. He said that those were the two items that controlled this situation because the other remaining items were based on Item No. 1 of the claim.

Now, the sum and substance of his testimony on direct examination is summed up when he stated, and I am now quoting, "We now go entirely through claim 1 and we have seen, I believe, that every element, every limitation and feature which is included in claim 1 is present in all four of these machines," and he made the same conclusion about claim 5, but is that so? Is that correct?

I don't mean to infer that Mr. Conner was not telling the truth, but is that the situation? Must not these apparatus or photo copying machines, however we want to describe them, must not they only comply with the general description as set forth in the preamble of the patent, but don't they also have to comply in detail with the specifications therein set forth? And do they? And what happened and what was the testimony of the same Mr. Conner when he was cross examined about these matters concerning the claim in detail?

I don't mean to infer that he didn't testify in detail on his direct examination because he did. He left the witness chair and he went over to these machines and he took them apart and he said, "Yes," he said, reading a line from the claim and a word, and he said this has this feature and this has this feature, and so forth, but it is like the word simultaneous in the preamble. There seems to be a lot of semantics, a play on words, but I believe what the Court has to determine is whether or not these photo copying machines are as described in this patent. I have come to the conclusion they aren't because of all the testimony.

Now, Mr. Conner was asked, "So that your answer to my question is simply this: Frame section 3 is not to be found in these four exhibits.

> "Answer: In the machines here in the courtroom there is no removable frame containing guide plates, rollers and bearings in the sense that there is in the machine disclosed in the patent, specifically recited in columns 2, 3 and 4, but as I pointed out, that limitation to removable frame does not appear in claims 1 and 5.
>
> "Question: Well, Mr. Conner, I should appreciate a direct answer to my question. My question simply

was this: Do you find frame section 3 in any of these four exhibits?

"Answer: I do not find frame section 3 as specifically disclosed in this specification and as shown in the drawings of this particular machine.

"Question: Now, do you find flange 4 in any of these machines?

"Answer: That flange is the flange on the removable frame. Since there is no removable frame in the sense disclosed in this particular machine, there is, of course, no flange or in the sense disclosed.

"Question: Let us continue to read column 2 of the specifications beginning on line 17. 'All of the bearings for the mechanism are mounted in this frame section.'

"Now, since, I believe, we are agreed that these four machines do not have such frame sections, then what other bearings they may have are, of course, not mounted in a frame section. Isn't that so?

"Answer: This is not a frame section in the same sense that there is in the specific machine disclosed, but as I pointed out earlier, in this machine, Exhibit P-7, the tank itself may be considered to be a frame section."

Now, there we go to what I was referring to. It depends upon how you describe some of these words, but the question, I believe, must be determined by the Court— and, as I indicated to you, I am going to determine if wasn't in compliance—was whether or not these machines in dispute were as set forth in the patent.

Then continuing on, "There are bearings mounted in that frame section and these bearings in turn supporting the roller. The same is true of the grey machine, Amto 14, Exhibit P-10.

"Question: You construe the tank in, what is that exhibit number, I am sorry.

"Mr. Harbaugh: Seven.

"Question: In Exhibit P-7 to correspond to the frame section 3 as in the patent?

"Answer: No, I say it does not correspond. However, it can be considered a frame section which contains bearings and rollers. It is not such a frame section in the same sense as disclosed in the specific mechanism of this patent.

"Question: Well, are there any bearings or rollers in the tank in that green machine which is Exhibit P-9?

"Answer: In Exhibit 9 the bearings and rollers are not in the tank.

"Question: So that we can't construe the tank in Exhibit 9 to correspond to frame section 3, can we?

"Answer: Not the tank, no. However, there are side plates in the machine, Exhibit 9, which might be so considered."

And then further on, still on cross examination, not to belabor the point but to point out what I am driving at here, "Question: Well, in what sense do you find them to be in these exhibits?" This is referring to guiding plates.

"Answer: Well, in every instance there are side plates in one form or another. The purpose of these side plates is to support the guiding plates and also to form the lateral guides so that the sheets cannot run off the ends of the guide plates.

"Now, in the machine Exhibit P-7, the only sense in which you can find the side plates would be as follows: P-1 you could regard the end of the tank as side plates, to form part of the support of the guide plates and also to guide the sheets. Moreover, you

could refer to these spacer blocks perhaps as side plates, but as I say, they're not side plates in the same sense you have side plates in the specific machine disclosed in the patent.

"The same is true of Exhibit 10. You have here a side plate, in a sense, which are the same as the end walls of the tank. The same is true of Exhibit P-9. The end walls of the tank could be regarded as side plates.

"Question: Well, in the patent the side plates are not the ends, or end walls of the tank, are they?

"Answer: They are not.

"Question: They are separate units?

"Answer: They are.

"Question: And they support the parallel guiding plates, do they not, in the patent?

"Answer: They do.

"Question: But in these four exhibits you do not find such side walls or side plates supporting the guiding plates?

"Answer: Not in the same sense as in this machine disclosed."

Then, further along, "Question: Mr. Conner, the last line of inquiry related to mounting the approximately parallel guiding plates on side plates 9. Now I believe I asked you whether in any of these four machines the guiding plates are mounted at their ends on side plates corresponding to side plates 9 in the patent. Would you be good enough to answer that?

"Answer: As I have stated previously, there are in these various machines no side plates of the same type as are disclosed in this specific apparatus shown in the patent in suit. And therefore, there are no side

plates parallel or otherwise secured thereto in the sense that they exist in this specific device of the patent in suit."

And then again, by way of illustration, in answer to a question on cross examination, he said, "I would say this. The guide plates are not supported independently of the end plates. They're supported on this portion off the wall from the tank adjacent to the end plates."

Further he was asked this question: "Now, continuing column 2 of the specifications beginning on line 43. 'The frame 3 further holds a pair of rollers touching one another and each consisting of a metal core 13 and an elastic cover 14. The latter, for instance, can be made of rubber.'

"Since we have established, I believe, that none of the machines in evidence has a frame 13, I assume that it would be proper to say that there is no frame 13 in any of these machines which hold a pair of rollers. Is that correct?

"Answer: I think what we have established is that none of these machines has a frame 3 in the same sense that the specific machine disclosed in the patent has such a frame 3. With that understanding, we can say that none of the machines here has a frame of the type you have just described."

Now, of course, in addition thereto, in order to help the Court, the defendant produced expert witnesses. I might say that the Court is not bound by the opinion of expert witnesses. Expert witnesses are produced for the benefit of the Court to guide the Court, give their opinion, but it is up to the Court to determine whether or not there has been a manufacture of a photo copying machine as described in the letters patent of P-12. I am going on with the testimony, as I indicated before.

Two other experts were called, Mr. Albert Charles Nolte, Jr., who is a patent attorney, and when I examined him very closely about the preamble of the device for the developing, and so forth, he said yes, that these machines in evidence would develop such a photo copy, but not simultaneously. He said it was concurrent.

Mr. Weber said the same thing. Here again it would seem to me that this is sort of a play on words, but I don't believe that's the final answer to it, as to whether or not the general idea of it complies to the preamble of the claim.

It would seem to the Court that a machine must comply with the specifications as set forth in the patent, not the developer or the liquid that goes in the machine, which was step 1 as I described before, as described by Mr. Conner, but the device which is outlined in the claims.

Mr. Nolte put it in this language. He said claim number 1 does not read upon P-9 and P-10. Now, not being a patent expert or never having had any experience in patent work, this was rather a novel expression to me but I took it and I understand it to mean that these claims as described in detail in the patent P-12 are not in and upon the machines that are in dispute, P-9 and P-10, and he also said in relation to claim 5 as a whole, and he described it another way this time, did not compare to P-9 and 10.

Then, of course, Mr. Weber testified about the art as an expert, that is, the purpose of it, and he testified that the Anken Chemical and Film Corporation did not design either P-8 or P-9, and he testified directly to the point that Ampto never manufactured photo copying machines, that P-9 was made by a Chicago firm by the name of Speed-O-Print. I am not too much concerned about his statement that Ampto never manufactured a photo copy machine. I don't mean to base the decision of this Court on

that statement alone, that they never manufactured it, because apparently the proof to me indicates from all the inferences that may be drawn that these machines were manufactured for Ampto by the Speed-O-Print Company of Chicago. Then he went on to testify about the art, to keep the two papers from touching each other, and then bringing them together after they had been through the solution. He testified that anyone could build an Eisbein photo copying machine as described in P-12 just from reading the claims.

Mr. Ratti testified that Ampto, the defendant, does not manufacture photo copying machines but they are manufactured for Ampto by the Speed-O-Print of Chicago. He said in relation to P-9 and P-10 that the company purchased some 2000 of these machines, and then he went on to describe the fact that the Speed-O-Print of Chicago apparently got their attorney to check into the legality of the Eisbein patent and whether or not the machines that were being manufactured for Ampto were, I take it, as an infringement, but that threw no light on the question as to whether or not these machines were in conformance with the Eisbein patent or P-12 in evidence.

From all this testimony the Court can only conclude that there has been no clear and convincing proof before this Court that the defendant Ampto Inc. manufactured a photo copying machine in accordance with the claim and specifications of patent No. 2,657,618.

Further, there was no proof that if there were any such that they were sold by this defendant, so therefore the judgment will be in this court in favor of the defendant on the ground that I have just announced.

The defendant may draw an order dismissing the complaint, having first submitted it to his adversary for approval as to form only, and send it to me.

Appendix B

Final Judgment

(Filed—January 10, 1962.)

This matter came on regularly for trial before the court. Messrs. George H. Harbaugh and William J. McGovern of the firm of Mackerly & Friedman, now McGovern & Roseman appeared as attorneys for the plaintiff and Mr. John R. Knox of the firm of Morris, Downing & Sherred, with Mr. Samuel J. Stoll, of counsel, appeared as attorneys for the defendants, and the court having read the pleadings and pretrial order, which said order dismissed the action as to defendants, Ampto Equipment Corporation and Anken Chemical and Film Corporation, and having heard the testimony and examined the proofs offered by the respective parties and having read and considered the briefs and arguments of counsel, and the court having rendered its oral opinion containing findings of fact and conclusions of law and having directed that judgment be entered in accordance therewith:

Now Therefore, by reason of the law and findings aforesaid, it is on this 9th day of January, 1962, Ordered and Adjudged that Judgment be entered in favor of the defendant, Ampto, Inc. and against the plaintiff and that the complaint filed in this action be dismissed.

Elden Mills,
J.S.C. t/a

Consent as to Form:

McGovern & Roseman
Attorneys for Plaintiff
By: William J. McGovern

Appendix C

OPINION OF APPELLATE DIVISION

(Filed February 20, 1964.)

Argued November 12, 1963—Decided February 20, 1964.

Before JUDGES CONFORD, FREUND and SULLIVAN.

MR. ALFRED C. CLAPP, and MR. WILLIAM C. CONNER of the New York bar, admitted *pro hac vice*, argued the cause for appellant (MESSRS. CLAPP & EISENBERG, attorneys).

MR. SAMUEL J. STOLL of the New York bar, admitted *pro hac vice*, argued the cause for respondent. (MESSRS. MORRIS, DOWNING & SHERRED, attorneys; MR. JOHN R. KNOX, of counsel).

The opinion of the court was delivered by CONFORD, *S. J. A. D.*

This is an action to recover royalties under a patent license agreement allegedly entered into by Copease Manufacturing Co., Inc. (Copease), a corporation of the State of New York, and Ampto, Inc. (Ampto) a corporation of the State of New Jersey. The action was originally brought by Copease against Anken Chemical & Film Corp. (Anken) and its two wholly-owned subsidiaries, Ampto and Ampto Equipment Corp. At the pretrial conference, the suit was voluntarily withdrawn, without prejudice as to Anken and Ampto Equipment Corp. American Photocopy Equipment Company (Apeco) is the substituted plaintiff as assignee of the interest of Copease in the license agreement.

The subject matter of the contract in question is U. S. Patent No. 2,657,618, issued to one Walter Eisbein on November 3, 1953. The patent claims invention of a machine designed to develop photocopies according to the diffusion-transfer-reversal process. Copease acquired title to this patent by assignment, and in 1956 granted the license in dispute to Ampto. The royalty provision of the agreement follows:

> "2. Licensee agrees to pay a royalty of six per cent (6%) of the net retail selling price for each photocopying machine embodying any of said inventions [of the Eisbein patent] and made, used or sold or otherwise disposed of under the provisions of this agreement."

Ampto has asserted two defenses. First, it disputes the authority of the officer who signed the agreement to bind the defendant corporation. Second, it contends that the photocopy machines it made or sold do not "embody the inventions" of the Eisbein patent and therefore do not come within the obligating terms of the contract. The trial judge, sitting without a jury, entered judgment for defendant on the latter ground and found it unnecessary to decide the former. Since we find that the machines involved do embody the invention disclosed by the patent in suit, it will be necessary for us to consider the issue as to whether the corporate defendant is bound by the agreement.

I.

Charles E. Hallenborg, president of Copease, testified that negotiations with Ampto for the sale of photocopying machines were initiated by representatives of Ampto in January 1956. At various times, Ampto was represented by Mahlon Boyer, an employee of Ampto and vice-presi-

dent and a director of Anken, Anna C. Campbell, vice-president, treasurer, and a director of Ampto and president and majority shareholder of Anken, and Louis P. Ratti, president and a director of Ampto. Ratti testified that he was at all times opposed to taking a license from Copease and that he never discussed such an arrangement with Hallenborg.

In February 1956 Hallenborg sent a form of license agreement to Boyer. An executed verbatim copy thereof, naming Ampto as the licensee, was returned by Boyer to Copease on March 8, 1956. As returned, this contract form was signed for the licensee by Anna C. Campbell, "Pres." It had been prepared by Morris, Downing & Sherred, attorneys for Ampto, and was contained within the form backer of that firm. Willis H. Sherred, a partner in the firm, and secretary and director of Ampto, testified that the Copease form of contract came across his desk, but that he gave it to a secretary to use in preparing the agreement without reading its contents. He stated that he knew at the time that the instrument was a license agreement between Copease and "some other corporation." Execution of the disputed agreement was completed on March 19, 1956 with the appending thereon of the signature of Hallenborg on behalf of Copease.

The conduct of the parties following the execution of the license agreement bears significantly upon the issue of defendant's responsibility thereon. The contract called upon Ampto to furnish Copease with annual financial and sales statements. Failing to receive such statements for the first year of the agreement, Hallenborg wrote to Boyer in June 1957 requesting them. In a telephone conversation on August 13th, Boyer agreed to comply. Still not having received statements by September 4th, Hallenborg telephoned Ratti who was vague as to his intentions

with respect to the license but never questioned its validity. He suggested that Hallenborg call Sherred.

A telephone call to Sherred was made shortly thereafter by William C. Conner, patent attorney for Copease. Conner testified that he complained to Sherred that Copease had received neither royalty payments nor any statement as to how many machines Ampto had sold, as was required under the agreement. Sherred assertedly said he knew of no sales of any machines. Sherred also said, according to Conner, that Ampto was awaiting the outcome of an infringement suit in Illinois in which the validity of the Eisbein patent was at issue (*Copease Mfg. Co. v. American Photocopy Equipment Co.*, 189 F. Supp. 535 (D. C. N. D. Ill. 1960), rev. in part, 298 F. 2d 772 (7th Cir. 1961) and that if the patent was there determined to be invalid Ampto would be absolved of liability for royalties. Conner testified that when he then explained to Sherred that the validity of the patent was not relevant to Ampto's liability under the license agreement, Sherred stated that if Ampto sold the Eisbein machines, it would pay the royalties. Sherred's testimony for defendant, though vague and evasive, was essentially corroborative of Conner's version of the conversation except for the affirmative statement as to intention to pay royalties.

The authority of Mrs. Campbell to execute the license agreement was never questioned by Ampto until it filed its amended answer on January 20, 1960. (This action was instituted March 2, 1959). At all pertinent times, all of the offices and directorships of Ampto were held by Ratti, Sherred, and Mrs. Campbell. Mrs. Campbell, of course, knew of the agreement from its inception, while Ratti learned of it "shortly after it was signed." Sherred, if he did not read the contract when he undertook to prepare the copy for Mrs. Campbell's signature, which

strains credulity, became aware of its existence at least in the Fall of 1957 when he spoke with Conner. Sherred also testified that the license was discussed at an informal meeting of the directors of Ampto in April of 1957 or 1958.

Since we find that there is no serious dispute over the basic, operative facts, a remand to the trial court for findings of fact on the issue is unnecessary. Nor need we decide whether Mrs. Campbell possessed actual or apparent authority in the matter. We find that the defendant corporation ratified the license contract by acquiescing, through its officers and directors, in what we shall assume, *arguendo*, was the unauthorized act of its vice-president.

It is well established that binding ratification of an unauthorized contract by a corporation "will be implied from acquiescence or the acceptance of the benefits of such contract, it being essential to implied ratification that it and the acceptance of benefits be with knowledge of the facts." *Feist & Feist* v. *A. & A. Realty Co.*, 105 N. J. L. 461, 464 (E. & A. 1929). See also *Oliver* v. *Autographic Register Co.*, 118 N. J. Eq. 72, 75 (Ch. 1935), aff'd *o. b.* 119 N. J. Eq. 481 (E. & A. 1936); *Royal Blue, &c., Inc.* v. *Delaware River, &c., Inc.*, 140 N. J. Eq. 19, 23 (Ch. 1947), appeal dismissed, 2 N. J. 73 (1949); *Beach* v. *Palisade Realty and Amusement Co.*, 86 N. J. L. 238, 242 (E. & A. 1914). In the New Jersey cases, acquiescence has been concomitant with or evidenced by the acceptance of tangibly ascertainable benefits of the contract. *E.g.*, *Feist & Feist* v. *A. & A. Realty Co.*, *supra* (105 N. J. L. 461) (defendant corporation accepted rents under realty management contract with plaintiff); *Shaten* v. *American Nat. Bank of Camden*, 109 N. J. Eq. 307 (Ch. 1931) (officers of corporation deposited bonds with bank as collateral for loan; corporation used proceeds of loan to meet pay-

roll). However, evidence of acceptance of benefits is not absolutely required, for the general rule is set forth in the disjunctive; either "acquiescence or the acceptance of benefits" will suffice. See *Freeport Journal-Stand. Pub. Co.* v. *Frederick W. Zix Co.*, 345 Ill. App. 337, 103 N. E. 2d 153 (App. Ct. 1952) Since it is the formation of the contract with which the doctrine of ratification is concerned, it is the principal's acceptance of the existence of the contract that is dispositive, not its acceptance of benefits thereunder. The latter circumstances is merely probative of the former, i.e., evidence from which approval can be implied. See 2 *Williston, Contracts* (3rd Ed. 1959), §278. It may be here noted that Ampto did in fact enjoy the only benefit contemplated under the license agreement, *i.e.*, liberty to manufacture or sell the patented machine free from suit by Copease for patent infringement.

It is also well established that silence on the part of the corporation, *ie.*, failure to disaffirm the unauthorized act of its agent within a reasonable time, will under certain circumstances amount to the acquiescence from which ratification will be implied. *Royal Blue, &c., Inc.* v. *Delaware River, &c., Inc., supra* (140 N. J. Eq., at p. 23); *Johnson* v. *Hospital Service Plan of N. J.*, 25 N. J. 134, 141 (1957); 2 *Fletcher, Cyclopedia of Corporations* (rev. ed. 1954), §769, pp. 1121-1123; 19 *C. J. S., Corporations*, §1019, p. 497; 13 *Am. Jur., Corporations*, §983, p. 935; *Restatement, Agency* 2d (1958), §94, p. 244, comment a. The circumstances in which silence will amount to ratification are those where, "according to the ordinary experience and habits of men, one would naturally be expected to speak if he did not consent * * *" *Ibid.* One of the most important of such circumstances is full knowledge of the nature and extent of the unauthorized act. *Feist & Feist*

v. *A. & A. Realty Co., supra* (105 N. J. L., at p. 464); *Royal Blue, &c., Inc., supra* (140 N. J. Eq., at p. 23).

It is undisputed that all three directors of Ampto had full knowledge of the license agreement within approximately one year of its formation. Two of these, the president and vice-president, knew of the contract practically from its inception. Yet, as noted above, no question as to the authority of Mrs. Campbell was raised until January 20, 1960, almost four years after execution of the agreement, when the amended answer was filed below. Cf. *Royal Blue, &c., Inc., supra* (140 N. J. Eq., at p. 23). Ampto's original answer, filed July 3, 1959, admitted the existence of the license agreement "except as to legality."

Defendant, through its president and secretary, remained silent in respect of acquiescence or disaffirmance when it was directly confronted through telephone calls from Hallenborg and Conner with the fact of the existence of the license and Copease's assumption that it was in effect between the parties. Cf. *Royal Blue, &c., Inc., supra* (140 N. J. Eq., at p. 23), where the court pointed out that the officers and directors of the defendant silently permitted its president to carry on further negotiations on its behalf in relation to the subject matter of an originally unauthorized contract. When one is directly confronted with the unauthorized act of his agent, "according to the ordinary experience and habits of men, one would naturally be expected to speak if he did not consent." *Restatement, supra*, 94. In this regard, it is not necessary, in order to find evidence of acquiescence in the conduct of Sherred, to accept Conner's testimony, disputed by the former, that he affirmatively signified acceptance of the contract. Sherred's admitted silence on the subject of authority and the natural implications implicit in his discussion of the effect of the Illinois in

fringement suit on Ampto's liability is sufficient. As stated in 13 *Am. Jur., Corporations*, 983, p. 935:

> "The acquiescence of a corporation which will amount to ratification of an unauthorized act may be evinced by mere silence under circumstances giving rise to a duty to repudiate the transaction; a corporation cannot stand by after it has learned of an unauthorized act or contract * * * and have its benefit if it should prove to be favorable and reject it if it should prove unfavorable."

We hold that the officers and directors of Ampto ratified the act of its vice-president, Mrs. Campbell, by their acquiescence therein and that the corporation is bound by the terms of the license agreement on which this suit is based.

II.

The remaining and central question on this appeal is whether the photocopy machines manufactured or sold by Ampto "embody any of said inventions" disclosed in the Eisbein patent in suit. At the outset, we note that the finding by the trial judge that there was no proof that defendant sold any machine ("if there were any such" within the patent) is contradicted by the record, and defendant does not seek to sustain the judgment on any such ground. Boyer testified defendant sold machines of the kind in controversy. Further, defendant expressly conceded at the trial that it had sold the type of machine alleged to come within the patent.

It is settled that the test of whether machines sold by a patent licensee come within the coverage of the patent, for purposes of a suit for royalties, is the same as that employed in a patent infringement suit. *Cold Metal Proc-*

ess Co. v. *United Engineer. & Fdry. Co.*, 235 F. 2d 224, 229 (3rd Cir. 1956). Most of the cases cited in the discussion which follows involved infringement. We also note, but do not rely for our conclusions on the fact that some of the machines sold by Ampto were purchased from the Speed-O-Print Corporation, which consented to a decree of infringement in an action brought by Apeco under the Eisbein patent here involved. *American Photocopy Equipment Company* v. *Speed-O-Print Corp.* (D. C. N. D. Ill., Docket # 60-C-1053, Consent Decree entered November 2, 1962).

In the case at hand the trial court found that the machines sold by defendant were so dissimilar to that envisaged by the Eisbein patent as not to "embody the inventions" of that patent. For reasons to be stated, we hold to the contrary. The trial court's decision appears to have been based on the erroneous concept that an accused machine is not covered by a patent if it is not within the expressed "specifications" of the patent, independently of whether it comes within its "claims." But it is elementary that while the claims of a patent must be "interpreted in the light of its specifications," *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 311 U. S. 211, 217 (1940), it is the claims which are the real measure of the invention covered by the patent. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U. S. 336, 339 (1961); 35 U. S. C. A. 112. The cited statutory section recites that: "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." There is a substantial difference between interpreting a claim "in the light of" the specifications, on the one hand, and raising the specifications to the level of a declaration of invention on the other. As we read its

conclusion, the trial court in effect did the latter in determining this controversy. This was error.

We have decided nevertheless to dispose of this case at the appellate level. No advantage would be gained by a remand. The machines have been exhibited to us and we have carefully considered all the extensive documentary exhibits in evidence although we have not deemed it necessary to refer to all of them in this opinion. Solution of the question of coverage turns basically on construction of the Eisbein patent, and that issue is ultimately one of law. *Solomon* v. *Renstrom*, 150 F. 2d 805, 808 (8th Cir. 1945); II *Walker, Patents (Deller's Ed.* 1937), §245, pp. 1209-1210. Since the questions of fact that are implicated do not in our analysis of the issues significantly involve the credibility of the witnesses who testified at the trial, the interests of expediency will best be served by our deciding the entire matter on this appeal. The parties have been given the opportunity to file supplemental briefs and appendices on all the issues and we have considered all of them.

As noted above, all the machines involved in this litigation, both that described in the patent and those sold by defendant, are designed to carry out the diffusion-transfer-reversal process of photocopying. This process, disclosed in U. S. Patent No. 2,352,014, issued in 1944 to one André Rott, effects the transfer of an image from a negative to a positive sheet without the use of light and without the need for developing, fixing, and drying each photographic sheet separately as in the orthodox photographic development process. (The Rott patent did not disclose any machine comparable to those here involved.)

The first step (which precedes that in which the patented machines are used) is the exposure of the negative sheet, coated on one surface with an emulsion containing

light-sensitive silver halide grains, to the original to be copied. The negative and original are placed in a face-to-face relationship, and light is directed through the back of the negative against the face of the original. The blank or background portion of the original reflects the light back against the coated surface of the negative on which is formed a latent image composed of the silver halide grains exposed to the reflected light.

The second stage of the process, at which the use of these machines comes into play, calls for the negative to be moistened with a processing solution and brought into face-to-face contact with a positive sheet which has also been moistened. The positive sheet has previously been coated with an emulsion containing nonphotosensitive grains. The negative and positive sheets are pressed together and left in contact for from 20-30 seconds, during which time the image is transferred from the negative to the positive.*

Inventors working with the development stage of this process were faced with the problem of devising a self contained apparatus which would take the negative and positive sheets, moisten them with the processing liquid, bring them together so the emulsion-coated surfaces would be in a face-to-face relationship, squeeze them together so as to transfer the image, expel the excess processing liquid and allow for quicker drying, and present them to the operator in a semi-dry, unwrinkled state. And, to make this a one-step process in a self contained apparatus, the path traveled by the sheets would have to be curved, since in order for the machine to be liquid tight,

* The nature of the chemical reactions producing the transfer is concisely explained in *Copeco Mfg. Co. v. American Photocopy Equipment Co.*, *supra*, 298 F. 2d at p. 774 n. 4.

the sheets would have to enter and leave it above the level of the processing solution.

The first patent for a machine or device in this field was French Patent No. 879,995, issued in 1942 to Farbenindustrie Aktiengesellschaft (hereafter Agfa), a German photographic firm. This is the only prior art involving machines introduced by the parties in this litigation. The mechanical devices of the Agfa machine are housed in a liquid-tight casing designed to contain the processing fluid. Suspended in the casing are a number of rollers, including a large drum roller and four smaller rollers, the latter serving to keep in motion an endless rubber belt which is pressed against the lower half of the drum roller. Two of these smaller rollers are placed against the drum roller on either side, creating points of contact through which the photographic sheets must pass.

The sheets are inserted into the Agfa machine through slots in the top or lid. On the record before us the only indication of a device to guide the sheets is revealed in the French patent drawing. It consists of a narrow tube which rests between the sheets and engages their inner surfaces to keep them apart until they enter the liquid. As the leading edges of the sheets pass this separator, they enter the processing liquid; the separator assures that the sheets will not come in contact in the necessary face-to-face relation until the inner or coated surfaces are sufficiently moistened. Immediately upon entrance into the liquid, the sheets reach the point of tangency of the drum roller and one of the smaller rollers, and, in passing between the rollers, are brought into face-to-face contact. This point of tangency is below the level of the liquid. After passage through the nip of the rollers the sheets are carried around the periphery of the drum roller by means of the moving belt which presses against

it. As the sheets lie between the drum and the belt they are subjected to simultaneous pressure over their entire surface. As noted above, the sheets must be brought into contact under pressure to properly effect the image transfer.

Since the drum roller is round and the sheets are traveling around its periphery, they soon begin to travel upward and emerge from the liquid. At this point, they pass through the point of tangency of the other small roller and the drum (where the excess fluid is expelled), are deflected by a stripping bar, and pass out of the machine through another slot in its lid.

The machine disclosed by the Eisbein patent in suit was the next major advance in this field. This machine is also housed in a liquid-tight casing which contains the processing fluid. Placed inside this casing is a series of curved, rigid plates which are arranged in substantially parallel, superposed position so as to form slideways through which the photographic sheets are guided from slots in the side of the casing formed by the ends of these plates, down through the processing fluid, and up to a single pair of rollers whose point of tangency is above the level of the liquid. After passing through the rollers, the sheets are deflected by stripping plates and pass out through an opening in the back of the machine. (The details of the Eisbein machine will be discussed more fully below.)

From these brief descriptions, it is evident that there are substantial differences between the Agfa and Eisbein machines. The testimony of an expert witness for defendant to the contrary is unconvincing. With respect to the guiding of the sheets, the Agfa machine employs, initially, the tubular separator, and then keeps the sheets in motion by means of the continuous belt pressed against the drum roller. The Eisbein machine solves the guide problem by

use of the slideways formed by the curved, rigid plates. We have already indicated that machines effecting the diffusion-transfer process had to provide for a curve in the path followed by the sheets. In Agfa, that curve is positioned past the point where the sheets are brought together by the first set of rollers. Eisbein's curve comes before the sheets reach the rollers, thereby enabling the rollers to be placed above the level of the liquid. Thereby Eisbein was able to manage with but one set of rollers, as compared with the two sets in Agfa, in accomplishing the two functions of the rollers, *i. e.*, the bringing of the sheets together under pressure and the squeezing out of excess fluid. Further, whereas in the Agfa machine the sheets are brought together, pressed, and travel in that position below the level of the liquid, in the Eisbein machine the sheets have completed their course through the liquid before they are subjected to the pressure of the rollers.

Two further distinctions are to be noted. In Agfa, because the sheets are brought into contact under pressure soon after entrance into the machine, the transfer of the image from the negative to the positive is substantially completed under the surface of the liquid before the sheets leave the machine. With the Eisbein apparatus most of the transfer takes place outside of the machine and for that reason the sheets must be kept together briefly after they have left it. Second, the continuous belt in Agfa serves another function beside moving the sheets through the machine. Since that device works under the theory that pressure must be exerted over the entire surface of the sheets simultaneously in order properly to transfer the image, a belt is provided to press the sheets against the drum. The Eisbein machine, by contrast, proceeds on the principle that a single line of pressure at the point of tangency of one set of rollers is sufficient.

It is not here material whether these distinctive features of the Eisbein machine operate to establish validity of the Eisbein patent as displaying invention over prior art. For present purposes the Eisbein machine is presumed patentable invention over the Agfa device. This is for the reason that "the licensee under a patent license agreement may not challenge the validity of the licensed patent in a suit for royalties under the contract." *Automatic R. Mfg. Co.* v. *Hazeltine Research*, 339 U. S. 827, 836 (1950). Defendant is therefore precluded from here questioning the validity of the Eisbein patent*.

Ampto has however legitimately introduced the Agfa patent in evidence pursuant to the principle that a licensee is entitled to argue prior art to restrict the scope of a patent. See *Cold Metal Products Co.* v. *Crucible Steel Co. of Amer.*, 247 F. 2d 241, 248 (3rd Cir. 1957). It has consequently properly argued that in the comparison of the patented and accused machines to determine whether the latter come within the coverage of the patent such coverage is to be treated as extending only to those features of the patented machine that differ from the Agfa device. However, as we have seen, the differences between the two are radical. And, as will be developed later herein, the differentiating characteristics of the Eisbein machine have all been substantially incorporated into Ampto's devices.

Defendant contends that the accused machines differ from that envisaged by the patent in suit and therefore do

* While the issue of the validity of the Eisbein patent is not of direct significance here, it is interesting to note that two court, on more complete records than that provided the court in this case, have held that the Eisbein patent displays invention over prior art, including the Agfa machine. *Copeman Mfg. Co.* v. *American Photocopy Equipment Co.*, *supra* (298 F. 2d at p. 782). *Lumoprint Zindler K. G.* v. *Bauer* (First Court of Civil Law of the Supreme Court (West Germany), November 1962).

not come within the license agreement which requires the payment of royalties only for the sale of machines "embodying the inventions covered by said letters patent."

The role of the court in this respect is to determine from the language of the claims of the patent in suit the characteristics of the particular kind of photocopy machine that Eisbein invented and licensed to Ampto and then to examine the accused machines to determine whether they are the same as that envisaged by the patent in terms of their structure, mode of operation, and results accomplished. *E. S. Industries* v. *Otis Engineering Corp.*, 254 F. 2d 198, 204 (5th Cir. 1958). The initial step in this exercise is to determine whether the language of the claims literally describes the accused machines. "If accused matter falls clearly within the claim, infringement is made out and that is the end of it." *Graver Tank Co.* v. *Linde Air Prod. Co.*, 339 U. S. 605, 607 (1950).

A further inquiry may arise if either party invokes the doctrine of equivalents. This doctrine holds that patented and accused matter are (or are not) the same when they do (or do not) "perform substantially the same function in substantially the same way to obtain the same result." *Sanitary Refrigerator Co.* v. *Winters*, 280 U. S. 30, 42 (1929). The doctrine of equivalents may aid the patentee notwithstanding that an accused device avoids the literal impact of the language of the claims of the patent. *Graver Tank Co.* v. *Linde Air Prod. Co.*, *supra* (339 U. S., at pp. 607-609). Conversely, it may also operate to insulate from the coverage of a patent the device of a licensee or accused infringer which is literally described by the broad language of a claim but which, for example, performs the same or a similar function in a substantially different way. *Ibid.*; *Flowers* v. *Austin-Western Co.*, 149 F. 2d 955, 958 (7th Cir. 1945).

The main difference between the accused ar . patented machines relied upon by defendant is in the structure and function of the rigid guide plates briefly described above. The upper and intermediate or separator plates in the accused machines terminate shortly past the point where they enter the processing fluid. Because of this and the fact that the upper plate curves downward at its lead edge, the photographic sheets inserted between the plates are progressively forced into contact (except for the fluid on their surfaces) as they pass the low point of the curve of the lower guide plate, and the rising portion of the upper sheet rides in proximity to the lower from that point to the rollers. This proximity does not, however, involve the compression between the sheets that takes place as they go through the rollers. Defendant argues that the Eisbein patent calls for upper and intermediate plates that are parallel and extend from the opening in the casing where the sheets are inserted to a point adjacent the nip of the rollers. In this way, it is submitted, the patent intentionally effects complete separation of the sheets inside the machine until they reach the rollers. This difference from the Eisbein device is not insubstantial, it is argued, as it represents two conflicting schools of thought concerning the best way to carry out the diffusion transfer process.

The first problem then is to determine whether the language of the independent claims of the patent (=1 and =5) substantiates the interpretation argued for by the defendant.

Claim =1 reads as follows:

> "1. A device for developing exposed photographic sheet material and for simultaneously transferring an image-on to an unexposed transfer sheet material by moistening the materials with a de

veloper liquid and by subsequently pressing the materials into contact one with another, said device comprising a casing adapted to hold the developer liquid therein at a given level, and having an opening therein above such level, an arrangement of contacting rollers within the casing, and guiding means within the casing adapted to guide a plurality of strips in paths from said opening to the point of tangency of the rollers, at least one of said paths extending below the level of the liquid in the casing, said guiding means being constructed and arranged to allow access of liquid to at least one of said strips, and said guiding means including means extending between strips guided therein and including means extending from such opening to a point adjacent the rolls for engaging and guiding the outsides of strips separated by said last means for preventing contact between the strips at least in the portion of the path between the opening and a point adjacent the level of the liquid."

Defendant first relies upon the following portion of the claim language to support its contention: "A device * * * having * * * guiding means [*i.e.*, guide plates] * * * including means extending from such opening [in the casing] to a point adjacent the rolls for engaging and guiding the outsides of strips * * * " Concededly, the most reasonable interpretation of this language is, as defendant contends, that it calls for an upper plate which extends to a point near the bite of the rollers. The plural "strips" is used and must mean both the upper and lower photographic sheets. The "means" guiding and engaging the "outside" of the upper sheet is the upper guide plate, and the claim therefore literally requires that this "means" extend from the opening in the casing where

the sheets are inserted to "a point adjacent the rolls," just as the means (bottom guide plate) engaging and guiding the lower sheet. As noted above, the upper plate in defendant's machines does not extend that far, but terminates at the low point of the curve of the lower plate.

A different conclusion must be drawn in relation to the indicated length of the intermediate guide plate. The language of claim #1, continuing from what is quoted above, is as follows: " * * * strips separated by said last means for preventing contact between the strips at least in the portion of the path between the opening and a point adjacent the level of the liquid." The "means" here mentioned must necessarily refer to the separator or intermediate guide plate. The phrase beginning with "at least" supports plaintiff's contention that the patent does not necessarily require an intermediate plate extending all the way to the rollers; that is, it need only extend to the liquid to separate the sheets until they have been moistened.

Defendant's expert witness testified that the language, "a point adjacent the level of the liquid," did not mean the level nearest the opening in the casing, *i.e.*, the point where the sheets first enter the liquid, but, rather, the point near the rollers where the sheets leave the liquid. Defendant relies for this construction on the fact that the specifications and drawings of the patent disclose intermediate plates which extend down through the liquid and curve upward to a point immediately under the point of tangency of the rollers, that point being at the level of the liquid where the photographic sheets emerge. The argument rests on the aforementioned principle that "the claims of a patent are always to be read or interpreted in the light of its specifications." *Schriber-Schroth Co. v. Cleveland Trust Co., supra* (311 U. S., at p. 217). *Schri-*

batskoy v. *United States Steel Corp.*, 287 F. 2d 552, 556 (7th Cir. 1961).

However, as noted above, while the specifications may shed light on the claims, it is axiomatic that the latter are the real measure of the invention covered by the patent. *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U. S. 405, 418-419 (1908); *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, *supra* (365 U. S., at p. 339); 35 U. S. C. A. § 112. In the specifications, the patentee is only required to "set forth the *best* mode * * * of carrying out his invention." *Ibid.* (Emphasis added). It is obvious that "best" does not mean "only," *see Smith* v. *Snow*, 294 U. S. 1, 11 (1935), for "if this were so, [] patents would be of little worth. * * * The invention, of course, must be described and the mode of putting it to practical use, but the claims measure the invention." *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, *supra* (210 U. S. at pp. 418-419). Under defendant's argument, if the specifications and drawings of the patent in suit disclosed a short intermediate plate, Elsbein's patent would be correspondingly restricted to that form of his invention notwithstanding the claim itself was not restricted to such a short plate. That untoward result is precisely why the scope of a patent is determined by the broader language of the claims, under the statute and controlling cases cited.

We thus conclude that notwithstanding the specifications of the patent the most reasonable and natural interpretation of the claim language last above quoted is that "level of the liquid" refers to the point where the sheets enter the liquid. Had the patentee intended the construction contended for by defendant, much more explicit specificatory language could have been used in the claim. Moreover, if we were to accept defendant's construction of "level of the liquid" as the level where the sheets *leave* the liquid, the words "at least" would become meaningless.

Those words imply that the intermediate plate can extend further than the point described as the "least" point. But in actual fact the intermediate plate cannot physically go further than to the level where the sheets leave the liquid because the rollers are suspended there. Therefore, "level of the liquid" must mean the "least" point to which the plate can be extended from the opening, and that point is of course that level of the liquid where the sheets first enter it. To conclude otherwise because of the specifications would be "to read the specifications, which taken in their entirety are merely descriptive or illustrative of [the] invention [citations omitted], as though they were claims whose function is to exclude from the patent all that is not specifically claimed." *Marconi Wireless Tele. Co. v. United States*, 320 U. S. 1, 23 (1943).

Defendant has pressed upon this court the decision of the First Court of Civil Law of the Supreme Court of Germany in *Lumoprint Zindler KG. v. Boeger*, *supra*, in supposed support of its construction of the Eisbein patent. That court construed Eisbein's German patent on a photocopy machine of generally similar nature as requiring an extended intermediate guide plate. We have given that opinion qualified weight, however, because of the substantial difference in wording between the German patent and that involved here, a difference probably stemming from the fact that in Germany patent claims are generally drafted more narrowly than is the practice in the United States. Gotti, *The Ultimate Extendanmeldung in the German Patent*, XXXIX *Journal of the Patent Office Society* 477 (1957).

Defendant looks for further support to the history of Eisbein's application for the patent in suit (file-wrapper history). Claim 1, as originally framed and filed on

April 17, 1950, contained no mention of guiding means between and separating the sheets. This first appeared in a claim substituted for claim #1 (which was subsequently issued as claim #1) filed on February 18, 1952. Defendant urges that the claim as issued must be interpreted in the light of this history, *Schriber-Schroth Co.* v. *Cleveland Trust Co., supra* (311 U. S., at p. 218), and that such history supports its contention that the patent calls for an intermediate guide plate extending to the nip of the rollers so that the sheets be separated at all times before reaching the rollers.

There is some question as to the precise basis for this contention. It certainly cannot be one of file-wrapper estoppel. That doctrine binds the patentee to his claims as amended and prohibits reliance upon an original claim rejected by the Patent Office as the determinant of the scope of the patent. *Ibid.*; *Morgan Envelope Co.* v. *Albany Perforated Wrapper Paper Co.*, 152 U. S. 425, 429 (1894). In all of the estoppel cases, however, it was the rejected claim upon which the patentee was attempting to rely. Here the plaintiff is relying on the claim as amended, *i.e.*, the claim is the form which the patent examiner allowed. Estoppel therefore does not apply. *Sales Affiliates* v. *Hutzler Bros. Co.*, 71 F. Supp. 287, 295-300 (D. C. D. Md. 1947).

As noted, the claim as originally submitted to the Patent Office made no mention of an intermediate guide plate. If, therefore, the accused machines contained merely upper and lower plates with no means between them for separating the sheets, defendant's contention would be persuasive. But the file-wrapper history is of no help to defendant where, as here, the accused machines come within the only reasonable construction of the language that was *added* to the claim. Rather than aiding defendant, the only relevant portion of the file wrapper supports

the plaintiff's position. In a communication from Eisbein's attorney to the Patent Office in June 1952, it is stated that the purpose of the intermediate plate is "for preventing contact between the strips at least *down* to the level of the liquid." (Emphasis added.) The sheets travel "down" to the liquid at the point where they enter it. At the level of the liquid where the sheets emerge, they are traveling "up."

In relation to file-wrapper history, defendant has argued that it was precluded by the trial court in cross examining plaintiff's witnesses thereon and should therefore be afforded a new trial if there is to be a reversal. However, we have examined the file wrapper and the supplemental briefs of both parties relating to its contents. As is evident from the preceding discussion, we have neither been directed to nor seen anything in the file wrapper that would be of material aid to defendant at a retrial.

Defendant has also introduced some patents issued subsequent to the patent in suit for the purpose of fortifying its contention that the Eisbein patent calls for an intermediate plate which extends to the rollers. Aside from the apparent novelty of such use of subsequent art for purposes of construction, these patents do not point to the argued construction of this patent.

The first of such subsequent patents is U. S. Patent No. 2,664,801, issued to Eisbein on January 5, 1954. Since the device disclosed by this patent contains extended intermediate plates, defendant argues that it evidences Eisbein's failure to perceive that shorter plates can be used. If he was unaware of this fact in 1951, it is argued, he was unaware of it in 1953 when the patent in suit was issued. The fallacy of this approach lies in the fact that the nature of the invention disclosed in the later patent required the

extended intermediate plates. In No. 2,664,801, Eisbein contemplated guiding means which would keep the upper sheet dry until it met the moistened lower sheet at the rollers. The only way that this could be accomplished was to extend the intermediate plate to that point, *i.e.*, the junction of the rollers. It does not follow from this that the extension was considered necessary in the earlier patent.

Contrary to defendant's implication, the invention disclosed by U. S. Patent No. 2,793,574, issued to one Unterberger on May 28, 1957, does not inhere in the use by that machine of an abbreviated intermediate plate, but rather lies in that inventor's use of rollers arranged so that their axes form an angle different from 90 degrees (which is the angle in the Eisbein machines) with respect to the feed direction of the photographic sheets.

In summary, then, claim #1 of the Eisbein patent literally describes the accused machines except for one feature, the length of the upper guide plate.* In view of this conclusion we need not explore plaintiff's argument that defendant would be liable on the basis of the doctrine of equivalents, mentioned above, even if claim #1 were construed to require a full length intermediate guide plate.

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* Defendant points out (but does not stress) two minor distinctions between claim #1 and one of the accused machines, the Ampto 9. The claim recites "[a] device containing a casing adapted to hold the developer liquid thereon at a given level." In Ampto 9, the developer liquid is held not in the casing but in a removable tray. This difference is of no consequence however. As was said in *Graver Tank & Mfg. Co. v. American Photocopy Equipment Co.*, 1952, 6 Cir., 194 F. 2d 484, at pp. 485-486, cert. den. 343 U.S. 945, 72 S. Ct. 1031, 96 L. Ed. 1350: "Defendant have merely divided into two parts that which the patent discloses as being made in a single part without any substantial change in the function of the machines." The claim also recites "[a]n idler device comprising an arrangement of contacting rollers within the casing." In Ampto 9 the rollers are mounted within the casing of the machine but not within a casing "adapted to hold the developer liquid" etc. Structurally and functionally, however, the rollers in Ampto 9 are the same as those called for in the patent in suit.

And as to the adjudicated difference in relation to the length of the upper guide plate, we find this not legally material in relation to defendant's liability because of the effect thereon of the said doctrine of equivalents.

Plaintiff contends, and we agree, that even though the Ampto machines, to the extent indicated, avoid the literal impact of the wording of claim #1, they "perform substantially the same function in substantially the same way to obtain the same result," and thus are the equivalent of the patented device. (See *Sanitary Refrigerator Co.* v. *Winters*, *supra* (280 U. S., at p. 42).

To determine the application here of the doctrine of equivalents, as thus authoritatively expressed, we must first consider the fundamental nature of the Eisbein invention. The patent in suit discloses a combination invention. Eisbein did not invent rigid guide plates, or rollers, or liquid-tight casings; the invention lies in the novel way in which he assembled these familiar elements so as to produce a new and useful result. *Cuprous Mfg. Co.* v. *American Photocopy Equipment Co.*, *supra* (298 F. 2d, at pp. 781-782); and see, generally, *Great A. & P. Tea Co.* v. *Supermarket Equip. Corp.*, 340 U. S. 147 (1950).

The underlying rationale of the doctrine of equivalents was articulated in *Graver Tank Co.* v. *Linde Air Prod. Co.*, *supra* (339 U. S. at pp. 607-608):

> "... Courts have ... recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. Such a limitation would leave room for, indeed encourage, the unscrupulous copyist to make unimportant and insubstantial changes and substitutions in the patent which, though adding

> nothing, would be enough to take the copied matter outside the claim, and hence outside the reach of law. One who seeks to pirate an invention, like one who seeks to pirate a copyrighted book or play, may be expected to introduce minor variations to conceal and shelter the piracy. Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form. It would deprive him of the benefit of his invention and would foster concealment rather than disclosure of inventions, which is one of the primary purposes of the patent system.
>
> The doctrine of equivalents evolved in response to this experience."

The doctrine of equivalents is applicable to combination patents, *Graver Tank Co.* v. *Linde Air Prod., supra*, whether an accused device adds *(Hanes Sysau Gun Co.* v. *E. C. Brown Co.*, 291 F. 2d 319, 326 (9th Cir. 1961); III *Walker, on. cit., supra*, §469, p. 1693), improves *(Gould* v. *Rees*, 82 U. S. 187, 192 (1872); *Temco Electric M. Co.* v. *Apco Mfg. Co.*, 275 U. S. 319, 328 (1928); III *Walker, op. cit., supra*, §459, p. 1691), or replaces an element of the combination *(Baldwin Rubber Co.* v. *Paine & William Co.*, 99 F. 2d 1, 5 (6th Cir. 1938); III *Walker, op. cit., supra*, §464, p. 1700).

In determining whether the patented and accused machines are equivalents even though the upper guide plate used in the latter is relatively one-half the length of that of the Eisbein device, we need not hesitate in an affirmative response to the question of whether the machines "do substantially the same work" or "perform substantially the same function." *Sanitary Refrigerator Co.* v. *Winters*, *supra* (280 U. S. at p. 42). They are both designed to and

in fact execute the diffusion-transfer-reversal process of photocopying.

Next, do the respective machines accomplish the same result? *Ibid.* John R. Weber, defendant's expert witness, purporting to establish the negative, testified that shorter guide plates produce a better, cleaner copy for the following reason. In the diffusion-transfer process, metallic silver grains are produced by the reaction of the developer solution with the light-sensitive silver halide grains that coat the negative sheet. Metallic silver is also produced in "a rather porous and only loosely adherent condition" on the walls of the casing, the guide plates and any other surface that is immersed in the developer solution. Accumulation of this metallic silver on the guide plates will result in its rubbing off on the photographic sheets as they pass through the machine, thus impairing the quality of the copy. The shorter the guide plates, the smaller the surface on which this metallic silver can accumulate, and thus, Mr. Weber concluded, the Ampto machines yield better copies.

This testimony was actually given in connection with defendant's contention that the Eisbein patent calls for a *separator* guide plate which extends to the rollers. This limitation is fatal to any contention by defendant that the difference in the lengths of the *upper* guide plates affects the quality of the copy because the upper plate engages the back or uncoated surface only of the supper photographic sheet—ordinarily the negative. In view of Weber's further testimony that it was of "rather little consequence" if the metallic silver rubbed off even on the *face* of the negative, since that sheet is usually discarded, it must be of even less consequence if the back of the negative is so affected. Moreover, even granting that the longer upper guide plate has an adverse effect on the

quality of the copy, defendant cannot take comfort in this fact. The upper plate in the Ampto machines, while shorter than that called for by the Eisbein patent, still protrudes to some extent into the developer liquid and would, therefore, require periodic cleaning. The only difference in this respect between the Eisbein and Ampto machines, then, would be that the cleaning of the upper guide plate of the former would involve a somewhat more extended surface in order that the quality of the copy produced be the same as that of the Ampto device. We need say no more than that this "difference" in result is insubstantial.

Having concluded that the machines do substantially the same work and achieve the same results, the remaining question is whether this is done in substantially the same way. *Sanitary Refrigerator Co.* v. *Winters*, *supra* (280 U. S., at p. 42). More specifically, does the abbreviated upper guide plate of the Ampto machine perform its function in a substantially different manner from that of the Eisbein device?

Defendant points out that the lead edge of its upper guide projects downward at its terminus just above the lowest point of the curve formed by the lower guide plate. This downward projection forces the upper sheet to come into contact with the lower sheet at a point which is well before the bite of the rollers. In plaintiff's machine, the very same result is accomplished, although not by the lead edge of the upper guide since that is located up near the point of tangency of the rollers. It is accomplished in plaintiff's machine (as it would be in defendant's even without the downward projection of the lead edge of the upper guide plate) because of the fact that the angles formed by the upper and lower guide *paths* converge at a point immediately past the low point of the lower guide

plate (a guide-path is formed by the intermediate plate and the upper or lower plate).

The main function of the upper plates in both machines is the same. The upper guide is designed to engage the outside (upper, uncoated) surface of the upper sheet so as to make sure that the entire inner surface of that sheet becomes moistened in the processing solution. As noted above, both sheets are inserted into the machine above the level of the liquid. When the lead edges of the sheets, after passing down through the solution, reach the rollers, their rear edges are still outside of the machine (the path traveled by the sheets must be shorter than their length since movement of the sheets to the rollers is impelled manually by the operator). At this point, both the lead edges of the sheets, held by the rollers, and the rear edges are above and out of the liquid. As the rollers begin to pull them through, the sheets tend to form a straight line between the rollers and the opening in the casing, in the process tending to raise the center of the sheets out of the liquid and to prevent the rear portion of the sheets from being moistened. These tendencies, however, are counteracted, in the case of the upper sheet by the upper guide plate. By engaging the upper surface of the sheet, the plate keeps it below the liquid because the plate itself extends below the surface of the liquid. Despite the difference in respective lengths, it is thus clear that the upper guides in both machines perform their function in substantially the same manner.

It has been seen, then, that the accused Ampto machines utilize every element of inventive difference over prior art (Agfa machine) disclosed by the Eisbein patent. They employ only one set of rollers, subject the sheets to the pressure of the rollers only after passage of the sheets through the liquid, work under the principle that a single

line of pressure at the point of tangency of the one set of rollers is sufficient to carry out the Rott diffusion-transfer process, and make use of the rigid plates to guide the photographic sheets through the liquid in the machines. Like those of the Eisbein machine, these guiding means in the Ampto machines are comprised of a lower guide plate which is the principal guiding element forming the curve along which both sheets ultimately travel, an intermediate guide plate which keeps the sheets apart until their inner surfaces have been moistened by the liquid, and an upper guide plate which counteracts the pull of the rollers to keep the upper sheet below the level of the liquid.

All that defendant has done in its machines is to eliminate an unnecessary extension of the upper guide plate. It has not demonstrated any benefit to be derived from this change, except, perhaps, greater economy in the use of material in the production of the machines. Defense counsel admitted at the trial that this factor is of no significance in this litigation. While the upper plate in the Ampto machine does force the sheets together at the low point of the curve of the lower plate, this result is also accomplished in plaintiff's machine even with the extended upper plate and, as observed above, would occur in defendant's machine even without the downward projection of the lead edge of its upper plate. It has thus been seen that no difference in result obtains because of this difference in one detail of construction.

Defendant can be said to have merely made an inconsequential alteration of one of the elements of Eisbein's combination invention. *Gould* v. *Rees*, *supra* (82 U. S., at p. 192); *United States Rubber Co.* v. *General Tire & Rubber Co.*, 128 F. 2d 104, 109 (6th Cir. 1942). Under the cited cases, this type of change is insufficient to avoid application of the doctrine of equivalents. It is the type of "unimportant and insubstantial change" which gave rise to

that doctrine. *Graver Tank Co.* v. *Linde Air Prod. Co.*, *supra* (339 U. S., at p. 607).

"A finding of equivalence is a determination of fact." *Id.*, at p. 609. In the exercise of our original jurisdiction, R. R. 1:5-4(b) and R. R. 2:5, we find that the Ampto 9 and Ampto 14 photocopy machines taken as a whole are the equivalent of the device disclosed in claim #1 of U. S. Patent No. 2,657,618.

Plaintiff has contended that it is entitled to a liberal application of the doctrine of equivalents because Eisbein's invention constituted a substantial advance in the art of photocopy machines. *Oates* v. *Camp*, 83 F. 2d 111, 115 (4th Cir. 1936). In support of the premise of this argument, plaintiff relies on the finding of the court in *Copease Mfg. Co.* v. *American Photocopy Equipment Co.*, *supra* (298 F. 2d, at p. 782), that Eisbein succeeded "where others failed" in that "he took the diffusion process out of the laboratory and made it available on a practical basis for use in offices." Although for lack of relevant proof we cannot on this record make as unequivocal a finding as did the Seventh Circuit Court of Appeals in *Copease* as to the degree of practical advance in the art accomplished by Eisbein, defendant does not controvert plaintiff's assertion in that regard. However, we need not quibble over the degree of liberality with which the doctrine of equivalents should be here applied. Under any reasonable application of that doctrine, the difference in length between the upper guide plates in the patented and defendant's machines is insubstantial and the machines are equivalents.

We also find that the accused machines "infringe" claim #5, the remaining independent claim of the Eisbein patent. This claim reads as follows:

"5. A device for developing reproductions of the character described which comprises a casing for holding developer liquid, an opening in said casing above the level of the liquid for the insertion of sheet material to be treated, a set of rollers comprising at least one pair of contacting rollers within said casing and a plurality of spaced fixed substantially parallel guiding means forming at least two superposed curved slide ways communicating with said liquid leading from said opening to under the surface of the liquid and then to the set of rollers for feeding at least two sheets of material inserted into the opening simultaneously and in superposed relationship through the liquid and then to the set of rollers, said guideways including means extending between and separating strips therewithin during at least a part of their travel therethrough."

Defendant contends that its machines do not come within this language for two reasons: (1) the Ampto guide plates are not "substantially parallel"; (2) the Ampto intermediate plate does not extend to the nip of the rollers as it is submitted, this language contemplates.

As to point (1), the guide plates in the Ampto machines are concededly not parallel. While the upper and intermediate plates have substantially the same radii of curvature, the path of the lower guide plate deviates from that curve by a sharper drop toward the floor of the tank than that of the plates above it. Of course, claim 5 does not call for plates that are parallel, but such as are "substantially parallel." Since a requirement of substantial parallelism is rather amorphous in the abstract, it can most reasonably be appraised in terms of its purpose. That is to say, are the Ampto guide plates substantially parallel in the sense intended by Eisbein?

Defendant's argument, purportedly to the contrary, is that with the Ampto machine photographic sheets properly aligned when inserted into the machine will still be perfectly aligned when they emerge; but that this result is not produced by the Eisbein machine, the difference in result being attributed to the differences as to parallelism of the guide plates. But the deviation in alignment of the sheets with the Eisbein machine is not shown to be more than minimal, or to make any practical difference in the utility of the device. Nor is it demonstrated that Eisbein's intent with respect to the requirement of substantial parallelism of the plates had any relation at all to the matter of alignment of the sheets. Rather does it appear that the term, "substantially parallel," in the claim is merely a description indicating the general spatial relationship that must exist between the plates in order for them to properly guide the *direction* of the sheets. In superposed position, the plates must all follow a general downward curve so that the guide path formed by the intermediate and lower plates will carry the lower sheet into the liquid and the guide path formed by the intermediate and upper plates will do the same for the upper sheets. The upper plate must curve downward in order also that it engage the outside of the upper sheet and keep it immersed in the liquid against the pull of the rollers. The guide plates of the Ampto machines are "substantially parallel" in this sense.

Even were it assumed, *arguendo*, that the Ampto machine is an improvement over that envisaged by the Eisbein patent in respect of the more exact alignment of the sheets assertedly obtained with the former, this would not promote the defense of this action. An accused device does not avoid a patent merely because it has improved the invention disclosed therein. *Texas Electric M. Co.* v. *Apex Mfg. Co.*, *supra* (275 U. S., at p. 328). The test is whether a new and different combination has been formed. See

Aluminum Co. of America v. *Thompson Products*, 122 F. 2d 796, 799 (6th Cir. 1941); *Chesapeake & O. Ry. Co.* v. *Kaltenbach*, 95 F. 2d 801, 804 (4th Cir. 1938).

It has been seen in the discussion of claim #1 that the machines involved in this litigation utilize the same combination of elements. As stated in *Hoyt* v. *Horne*, 145 U. S. 302, 309 (1892): "Defendant's [device] may be in [one] particular an improvement upon the other; but [defendant] has nonetheless succeeded in appropriating all that was of value in the [plaintiff's] device * * * " In other words, if defendant has improved one element of Eisbein's invention, it is nevertheless still Eisbein's invention. The extent of any such improvement is not material in that state of the law; it can amount to patentable invention and still come within the scope of the Eisbein patent. *Cantrell* v. *Wallick*, 117 U. S. 689, 694 (1886); *Aluminum Company of America* v. *Sperry Products, Inc.*, 285 F. 2d 911, 923-925 (6th Cir. 1960). What is significant is that the improved device still embodies the Eisbein invention.

As noted above, defendant's second contention in respect of the plaintiff's assertion of coverage under claim #5 is that the claim calls for an intermediate guide plate which extends to the point of tangency of the rollers and keeps the sheets apart throughout their entire passage through the processing solution. This argument is based on the following language of the claim: "* * * [said device containing] guiding means forming at least two superposed curved slideways communicating with said liquid leading from said opening [in the casing] to under the surface of the liquid and then to the set of rollers * * *"

Defendant points out that a "slideway" is formed by an intermediate and upper (or lower) plate and argues that since a "slideway" must lead from the opening in the

casing to the rollers under this language of the claim, the intermediate plate must also extend that far since it is an integral component of the "slideway."

Preliminarily, the argument overlooks the last clause of claim =5: "said guideways including means extending between and separating strips [*i.e.*, photographic sheets] therewithin during *at least a part* of their travel therethrough." (Emphasis added.) This language requires only that there be an intermediate plate separating the sheets "during at least a part of their travel" to the rollers; in other words, the intermediate plate need not extend to the rollers. Defendant does argue that this language should be construed to mean the point where the sheets leave the liquid, but, as has been seen under the discussion of claim =1, this would make Eisbein's use of the words "at least" meaningless.

Granting, then, that the "at least" clause of claim =5 contemplates use of an abbreviated intermediate plate, that is not a complete answer to defendant's position. Such a construction would do no more than raise a contradiction with defendant's construction of that portion of the claim describing the "slideways."

But the problem is resolved when it is seen that defendant's construction of the "slideways" clause of claim =5 cannot withstand analysis. Defendant asserts in its brief:

> "Claim 5 calls for 'a plurality of spaced fixed substantially parallel guiding means forming at least two superposed curved slide ways communicating with said liquid *leading* from said opening to under the surface of the liquid and then to the set of rollers.' As appears in the discussion of Claim 1, defendant's machines do not utilize guide means which form such superposed slide ways co-

> *tending* the full distance from the inlet opening, through the processing solution and to the set of rollers." (Emphasis added).

It is significant that defendant's argument substitutes "extending" for "leading" in construing the claim language. The difference between these words, however, is material, and it points the way toward a more harmonious interpretation of claim ±5 than that offered by defendant.

The word "leading," properly used, does not describe the physical characteristics of an object doing the leading, but rather a directional relationship between that object and something else. To "lead" is to "guide or conduct in a certain course, or to a certain place or end." *Webster's New International Dictionary* (2nd Ed., 1959). In this sense, "leading" is quite distinguishable from "extending." To apply the word "extending" to an object is to describe its physical length, as we did in our discussion of claim ±1 where the conclusion was reached that the upper guide plate was intended to reach the rollers since it was described as "extending" to that point. The "slideways" of defendant's machines do not physically extend to the rollers, but that is not what is required by claim ±5. As a unit, they *lead* down through the liquid and up to the rollers, *i.e.*, they conduct or direct the photographic sheets over the course described in the claim.

Further language of the claim points to the same result. It is there recited that the slideways must "communicat[e] with said liquid leading * * * to the set of rollers," *i.e.*, *extend* to the liquid from the opening in the casing and then *lead* to the rollers. It is strongly inferable that "communicate" and "lead" do not hold the same meaning for the patentee in this context. It can be further observed that immediately following the description

of where the slideways must *lead*. Eisbein explains that this is "for feeding at least two sheets of material inserted into the opening * * * through the liquid and then to the set of rollers." This language gives further support to the concept that "leading" was used to describe the function of the slideways in guiding the course of the sheets and not as a term describing their physical length. Moreover, as seen, if defendant's construction of the clause describing "slideways" is accepted, the last clause of the claim becomes either meaningless or contradictory and of no effect. Such a construction is to be avoided. *Harris* v. *Ladd*, 34 F. 2d 761, 763 (8th Cir. 1929); *Mall Tool Co.* v. *Quaker Vibrators*, 29 F. Supp. 718, 719 (D. C. E. D. Pa. 1939).

Our conclusion, then, is that the Amptó machines introduced into evidence below come within the coverage of both of the independent claims =1 and =5 of the Eisbein patent in suit and thus "embody the inventions" of that patent. Defendant is liable for royalties under the agreement. The cause is reversed and remanded to the Chancery Division for an accounting of damages consistent with the views expressed herein. On the accounting the court will consider and determine the merits of defendant's contention that plaintiff received compensation for the sale of some of the machines involved here in the damages it recovered under the *American Photocopi Equipment Company* v. *Speed-O-Print Corp.* consent decree.

Judgment reversed with directions for entry of interlocutory judgment of liability for plaintiff.

Appendix D

On Petition for Certification

Order Denying Petition

SUPREME COURT OF NEW JERSEY

AMERICAN PHOTOCOPY EQUIPMENT CO.,
Plaintiff-Respondent,

vs.

AMPTO, INC.,
Defendant-Petitioner.

AND

AMPTO EQUIPMENT CORP., et al.,
Defendants.

To Appellate Division, Superior Court:

A petition for certification having been submitted to this Court, and the Court having considered the same,

It is hereupon Ordered that the petition for certification is denied, with costs.

WITNESS the Honorable Joseph Weintraub, Chief Justice, at Trenton on the twenty-seventh day of April 1964.

JOHN H. GILDEA
Clerk
Clerk of the Supreme Court

A true copy.

JOHN H. GILDEA
Clerk

Filed Apr 27 1964
JOHN H. GILDEA
Clerk

Appendix E

The Invention of the Patent in Suit

The patent describes and shows a machine designed to carry out the second step of a two-step diffusion-transfer-reversal process of photocopying originally disclosed in U. S. Rott Patent No. 2,352,014, issued in 1944, and subsequently described and shown in French Agfa Patent No. 870,995, issued in 1952. The Rott process effects the transfer of an image from a previously exposed negative to a positive sheet without the use of light and without the need for developing, fixing and drying each photographic sheet separately (first the negative and then the positive) as in the orthodox photographic process.

The first step (which precedes that in which the patented machine is used) utilizes a negative sheet which is coated with a photosensitive silver halide emulsion. The negative is placed in face-to-face contact with an original and light is directed through the back of the negative against the face of the original. The blank areas of the original reflect the light back against the coated surface of the negative, forming a latent image thereon composed of the silver halide grains which were exposed to the reflected light. The exposed negative and the original are then separated.

The second step of the process (in which the patented machine is used) utilizes a positive sheet which is coated with a non-photosensitive emulsion. The exposed negative and the positive are moistened with a processing solution which develops the latent image on the negative, reducing the silver halide grains in the exposed areas of the negative (corresponding to the blank areas on the original) to metallic silver, leaving undeveloped the unexposed silver halide grains of the negative (corresponding to the dark

areas on the original). The negative and positive sheets are then pressed together in face-to-face relationship, and the unexposed silver halide grains in the negative are dissolved out of the photosensitive emulsion of said negative and diffused and transferred into the non-photosensitive emulsion of the positive. Here they are reduced to produce dark areas corresponding to the dark areas on the original. The negative and positive sheets are then separated.

The patent in suit describes and shows a developing apparatus for performing the second step of the aforementioned process. In this apparatus the previously exposed photosensitive negative and the non-photosensitive positive are conducted by guide elements through a developing tank to a pair of squeeze rollers which press the two sheets together in the diffusion-transfer phase of the process.

Appendix F

Excerpts from the trial record before the Superior Court of New Jersey, Chancery Division, Sussex County, showing that the Federal question which is presented in the instant petition for certiorari was persistently raised before the Trial Court.

p. 186a:*

By Mr. Stoll:

Q. Now, I ask you in what way claim 24, original claim 24 and now claim 1 of the patent is distinguishable over the French patent 879,995.

Mr. Harbaugh: Objection. That is not a proper issue in this case.

The Court: Sustain the objection.

* * * * *

p. 193a:

[Mr. Stoll]: In short, what I am saying to your Honor is this: unless there is a ruling that these machines or any other Ampto machines are encompassed within the scope of the patent in suit, there can't be any intelligent accounting that defendant can make; and I suggest that your Honor permit me to continue the line of examination that I have started in order to show that the claims of the patent in suit as properly construed in the light of the file history and in the light of the specification and prior art do not read on defendant's machines in evidence.

* * * * *

* The page numbers used in Appendix C apply to the Appendix to Appellant's Brief submitted to the Superior Court of New Jersey, Appellate Division.

The Court: I am going to deny your motion, Mr. Stoll. I don't see where we have gotten any further than where we got this morning earlier with the other statement. * * *.

p. 234a:

Mr. Stoll: I think we might as well at this point discuss the merits of this aspect of our case without going into details. Your Honor, if we were construing a contract and only a contract we would look to the wording of the contract to ascertain its meaning and all of the rights and duties of parties. We would find them within the four corners of the contract, but, your Honor, in construing a patent, (27) as I believe we must do in this case, we do not look solely to its contents. We look beyond its contents to find out what it was that the government intended when the government granted the patent. The government grants a patent only for improvements over prior art. This French patent is definitely prior art as is also the Rott patent previously mentioned. In order to ascertain what it is that this Eisbein patent covers we must investigate and analyze the prior art, and it is only that portion of the Eisbein patent which goes beond the prior art, it is only that portion which the Eisbein patent actually covers.

Now, in order to ascertain whether this defendant is using that part of the Eisbein patent which is not shown in the prior art, it is necessary to introduce evidence of the prior art. Now, regarding the Rott patent in particular, this defendant has, Anken has [p. 235a] a license under the Rott patent, and royalties have been paid under it, and there is no intention whatsoever on the part of Anken or any of its companies to welsh on an agreement, as would appear to be the case from the complaint in this action (28). Where there is a legitimate agreement and it is

used we pay the royalties provided for, and very substantial royalties have been paid under the Rott patent.

We would like to be able to show that we have taken nothing from Eisbein which would call upon us to pay a royalty, and not having taken anything from Eisbein we paid no royalty. That's the purpose of the question.

p. 254a:

The Court: The question is as to whether or not you are making a photocopying machine embodying the inventions covered by the letters patent of the Eisbein 2,757,618.

Mr. Stoll: That's right.

The Court: That is the question.

Mr. Stoll: Now, our answer to that, your (59) Honor, is we are not. We are using so much of Eisbein as is common in D-3, D-2 and the Rott patent. We are not using that part of the Eisbein patent which is not to be found in these prior patents. Instead, if we are to be charged with using any of these patents, it would have to be the Rott patent, which we acknowledge, and we would be using the guide plates of the Untérberger patent, which is defendant's Exhibit 6 for identification, and it is only in the guide plates, your Honor, that Eisbein differs from the prior [255a] art, and if we do not use Eisbein's guide plates we do not use the Eisbein patent.

Appendix G

Excerpts from the briefs of the present petitioner submitted to the Superior Court of New Jersey, Appellate Division, showing that the Federal question which is presented in the instant petition for certiorari was persistently raised before that Court.

From the Brief for Defendant-Respondent:

p. 25:

"'When one is considering the question of validity of a patent claim from the viewpoint of anticipation or invention, one compares the claim with the pertinent prior art, and when one is considering the question of infringement of a patent claim one compares the accused machine with the patent claim after first determining the breadth of the claim by a consideration of the pertinent prior art. It is difficult to see why the public should be more interested in striking down an invalid patent claim as invalid than it [p. 26] should be in having a patent claim, which in the light of the pertinent prior art is narrow in scope, adjudged to be narrow in scope. From the viewpoint of the public, exactly the same principles are applicable in both cases. The public is interested in seeing that a monopoly not based on an invention is destroyed, and it should be interested in seeing that a monopoly is no broader than the invention.' *W. F. & John Barnes Co.* v. *International Harvester Co.*, 51 F. Supp. 254, 263 (D. C. Ill. 1943), Aff'd. 145 F. 2d 915."

p. 28:

"It may be true that the claims measure the patent monopoly but it is also true that the claims are themselves measured by the invention and the invention is itself measured by the prior art.

"Stated differently, the claims define the metes and bounds of the patent monopoly, but in no case may they exceed the scope of the invention as described in the specification, as shown in the drawing, and as distinguished over the prior art."

p. 29:

"These rules have been applied through the years and to the present day. For example, in *Plax Corporation v. Precision Extruders*, 239 F. 2d 792, 795 (3rd Cir. 1957) Chief Judge Biggs quoted the rule 'that a patentee's broadest claim can be no broader than his actual invention, no matter how it may be expressed' and held that 'This is a correct statement of the law.'"

p. 30:

"Even if it be conceded *arguendo* that the Eisbein claims read literally upon defendant's machines (and not even plaintiff contends that this is so), this is still not conclusive on the issue of defendant's use of the Eisbein patent. To use the patent, defendant must not only employ the elements of the claims, but also the principles of the patented invention as taught in the specification and drawings and as distinguished from the art."

p. 31:

"Reference to the French patent drawing (Exh. D-2, P366a and Exh. D-3, P368a) will disclose the fact that guide or separator means are provided for keeping the two sheets completely separate and apart during their

entire passage through the processing solution and until they reach the nip of the rollers. The Eisbein patent in suit also provides guide or separator means for keeping the sheets separate and apart until they reach the rollers. It cannot be too strongly emphasized that this feature pin- [p. 32] points the fundamental principle on which the Eisbein patent is based, namely, that the negative and positive sheets must be kept separate and apart during their entire passage through the processing solution and until they reach the nip of the rollers.

"This is the crucial aspect of the patent in suit. It pinpoints the place which the Eisbein patent occupies in the history and development of this art and, as will shortly appear, it also distinguishes the Eisbein patent from defendant's machines herein accused. There is no question but that the principle of complete separation of the negative and positive sheets permeates and colors the Eisbein patent (P246a-8 to 247a-30).

"Eisbein never learned any other principle. Even his subsequent patent 2,664,801 (Exh. D-5, P372a) discloses the very same principle of separation of the negative and positive sheets.

• • • • •

"The Unterberger patent No. 2,793,574 (Exh. D-6, P374a) represents the first departure from the Eisbein principle of complete separation of the negative and positive sheets during their passage through the processing liquid."

p. 33:

"It is clear from the foregoing that the essential difference between the Eisbein patent in suit on the one hand and the Unterberger patent on the other, resides in Eisbein's use of mechanical means for separating the nega-

tive and positive sheets during their entire passage through the processing solution, from the inlet opening to the nip of the rollers. Unterberger provided for contact between the two sheets (except for a thin film of processing liquid between them) within the processing solution and before the nip of the rollers is reached. This Unterberger principle is precisely the one which defendant's machines P-9 and P-10 employ. It cannot in good conscience be contended, therefore, that defendant's machines are made in accordance with the Eisbein patent in suit. It follows that plaintiff is not entitled to patent royalties on these machines even assuming the validity of the license agreement."

p. 34:

"A recent case decided by the First Court of Civil Law of the Supreme Court of Germany substantiates the distinction with respect to the length of the guide plates as hereinbefore set forth.

* * * * *

"The plaintiffs were Lumoprint-Zindler K.G. and Develop G.m.b.H. legally represented by Dr. Walter Eisbein and the defendant was Dr. Marius Boeger. The suit was to annul a German patent issued to Dr. Boeger for the reason that it was not a sufficient improvement over an earlier patent issued to Dr. Eisbein and filed on May 13, 1949. The U. S. Patent Office file wrapper in connection with the Eisbein patent in suit (Exh. D-1, P364a) includes Eisbein's original German Application (Exh. D-1, pp. 41 to 49) and an English translation (Exh. D-1, pp. 52 to 59). The German patent is mentioned on the title page of Eisbein's U. S. Patent (Exh. P-12, P360a) which is the patent to be construed by this Court.

p. 35:

"The Boeger patent covered short guide elements so that the coated carriers might meet within the developer liquid. The upper sheet rides on top of the lower sheet along a single curved guideway leading to the rollers. The German Court pointed out that the arrangement of the guide elements was of decisive importance on the question of whether the Boeger invention was patentable. The Court found that Eisbein and the average person familiar with the art had erroneously assumed that a premature contact of the coated carriers would have detrimental effects and that it was necessary to keep the carriers separate throughout their passage through the developer solution until they met at the wringer or rollers.

"Agfa wrote to Dr. Boeger on April 10, 1951 requesting him to re-design his unit in order to provide for longer guides to keep the carriers separate for a longer period of time. This remark by Agfa is strong proof of the prejudice existing among experts of that time. Dr. Boeger in shortening his guide plates took a position contrary to the established theory and his patent was sustained as an improvement over the Eisbein patent. In effect the German Eisbein patent has been construed and restricted to the use of guide means extending all the way through the processing solution from the inlet opening to the nip of the rollers to prevent the negative and positive sheets from making contact with each other at any point or time during their passage through the solution. This is the real and correct interpretation of the Eisbein patent in the present suit which admittedly corresponds to the German Eisbein patent in the German litigation."

p. 36:

"It is clear from the testimony of defendant's experts and from an inspection of the exhibits themselves, that the very features (foreshortened guide plates [which] converge and the carriers continuing and travelling as a package or in a piggy back fashion) which distinguished the Boeger machines in Germany over the [German] Eisbein patent also, and with equal force, distinguished defendant's machines P-9 and P-10 from the American Eisbein patent in suit."

From the Post-Argument Brief for Defendant-Respondent

(p. 8):

"It is the duty of the Court to protect the public against an unwarranted expansion of the patent monopoly.

"*United States* v. *Masonite Corporation* (1942), 316 U. S. 258, 278, 62 S. Ct. 1070, 1077, involved a patent license agreement in relation to the anti-trust laws, and Mr. Justice Douglas wrote as follows:

> "'As stated by Mr. Justice Story in Pennock v. Dialogue, 2 Pet. 1, 19, 7 L. Ed. 327, the promotion of the progress of science and the useful arts is the "main object"; reward of inventors is secondary and merely a means to that end. Or, in the words of Mr. Justice Daniel in Kendall v. Winsor, 21 How. 322, 329, 16 L. Ed. 165, "Whilst the remuneration of genius and useful ingenuity is a duty incumbent upon the public, the rights and welfare of the community must be fairly dealt with and effectually guarded. Considerations of individual emolument can never be permitted to operate to the injury of these." ' "

(p. 11):

"The monopoly of the Eisbein patent in suit must be measured against the prior art."

"As stated in *Alliance Securities Co.* v. *De Vilbliss Mfg. Co.* (6 Cir. 1935), 76 F. 2d 503, 504, 'the invention is to be measured, not by the language of the claims, but by the advance over the prior art * * *.' As stated in *Smith* v. *Mid-Continent Inv. Co.* (8 Cir. 1939), 106 F. 2d 622, 624, and repeated virtually verbatim in *Tropic-Aire* v. *Cullen-Thompson Motor Co.* (10 Cir. 1939), 107 F. 2d 671, 674, 'No matter what the discovery asserted or claimed in the patent, such assertion or claims must be construed to be limited so as to exclude the prior art.'"

(p. 20):

"The Eisbein patent in Germany and the Eisbein patent here in suit are both based upon the fundamental principle of total separation of the negative and positive sheets throughout their passage through the liquid and up to the very nip of the rollers.

"They cannot be construed to encompass the Boeger principle of partial separation of the two sheets, since the patent monopoly would then exceed the scope of the alleged invention. Any finding to the contrary would be entirely unsupported by plaintiff's evidence in the case and in direct contradiction of the evidence introduced by defendant."

Appendix H

Excerpts from the briefs of the present petitioner submitted to the Supreme Court of New Jersey, showing that the Federal question which is presented in the instant petition for certiorari was persistantly raised before that Court.

FROM THE PETITION FOR CERTIFICATION

p. 3:

"Defendant is entitled to appeal to the Supreme Court [of New Jersey] as of right from a judgment of the Appellate Division which held the monopoly claimed in the patent in suit to be broader than the invention disclosed therein, in violation of the U. S. Constitution, Art. I, §8, Cl. 8 and 35 U. S. C. 101, 102; and in violation of defendant's rights thereunder and the public interest.

• • • • •

p. 4:

"Eisbein has claimed more than he has invented. His claimed monopoly exceeds his alleged invention. To the extent that his claims and his patent monopoly exceed his invention, they violate the Constitution and the statutory Patent Law of the United States, and may not be enforced against the public including the present defendant.

• • • • •

p. 6:

"The Appellate Division erred in equating Eisbein's claims with his invention. Patent claimants have invariably sought to claim more than they have invented; and the courts have ever been alert to protect the public interest against unwarranted and excessive patent claims.

• • • • •

p. 6:

"Eisbein has claimed more than he has invented. The Appellate Division, erred in permitting an unlawful expansion of his patent monopoly in violation of the constitution and Patent Law of the United States."

From the Reply Brief for Defendant-Petitioner in Support of Petition for Certification:

p. 1:

"Where a State Court enforces a patent monopoly against a machine which is in the public domain, a federal constitutional issue arises.

• • • • •

"it is a violation of the law of the land, as provided in the United States Constitution and in the Patent Law of the United States, to enforce a patent monopoly against that which is in the public domain, and this involves a constitutional issue."

• • • • • •

p. 2:

"Defendant's position is that the accused machines are in the public domain and that they are not encompassed within the monopoly of the patent in suit. This is amply supported by the testimony of defendant's expert witness which is the only evidence in the case bearing on this subject. It is a violation of the constitutional and statutory law of the United States to enforce the monopoly of plaintiff's patent against defendant's machines."

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1964

No. 325

AMPTO, INC., a corporation,
Petitioner,

vs.

AMERICAN PHOTOCOPY EQUIPMENT COMPANY, a corporation (Substituted as Plaintiff-Appellant for COPEASE MANUFACTURING CO., INC.),
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO A PETITION FOR A WRIT OF CERTIORARI TO THE SUPERIOR COURT OF NEW JERSEY, APPELLATE DIVISION

CLAPP & EISENBERG,
Attorneys for Respondent.

ALFRED C. CLAPP,
Counsel for Respondent,
744 Broad Street,
Newark, New Jersey.

Adams Press Corp., 11 Commerce Street, Newark, N. J.—Market 3-8611-12

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I

Counter-Statment of the Question Presented

Should the Supreme Court of the United States grant certiorari in a case involving a legal question as to the authority of State courts, which has long since been settled contrary to Petitioner's contention, and involving also factual contentions as to the scope of a particular patent.

II

Counter-Statement of the Case

1. Copease Manufacturing Co., Inc. ("Copease") instituted this action for an accounting in the Superior Court of New Jersey, Chancery Division, seeking to recover royalties under a patent-licensing agreement. By the agreement, it granted to Ampto, Inc. ("Ampto"), Petitioner herein, a license to make, use and sell photocopying machines embodying the inventions covered by U. S. Patent No. 2,657,618, sometimes designated the Eisbein Patent. The New Jersey Superior Court, Chancery Division, in an oral opinion, dismissed the complaint on the ground that defendant's accused machines did not embody the inventions covered by the licensed patent, Petitioner's Appendix A and B (Petition, p. 17-28); but the New Jersey Superior Court, Appellate Division, reversed. Petitioner's Appendix C (Petition p. 29-65). It found the licensing agreement binding and held that the accused machines did embody the invention. The New Jersey Supreme Court denied Ampto's petition for certification. Petitioner's Appendix D (Petition p. 66).

2. While the appeal was pending in the New Jersey Superior Court, Appellate Division, the United States Court of Appeals for the Seventh Circuit had held the Eisbein patent valid. *Copease Mfg. Co. v. American Photocopy Equipment Co.*, 298 F. 2d 772 (7th Cir. 1961) reversing in part 189 F. Supp. 535 (N.D. Ill. 1960), the Court of Appeals stating:

> "The new and useful result reached by Eisbein was the first practical office photocopying system. By means of his machine, which was compact, light-weight, uncomplicated, inexpensive, capable of operation and maintenance even by inexperienced office personnel, and yet which produced copies of excellent quality and

photographic accuracy in only a few seconds' time, he took the diffusion process out of the laboratory and made it available on a practical basis for use in offices. He did this where others failed." 298 F. 2d at 782.

The defendant in the Federal litigation ("Apeco") then purchased the Eisbein patent and the outstanding corporate stock of Copease, the plaintiff in that litigation, and it (Apeco) was thereafter substituted as the party-appellant in the New Jersey Superior Court, Appellate Division, and stands now as Respondent to the present petition.

3. The remainder of Petitioner's Statement of the Case is devoted to a summation of what Petitioner deems to be "errors of the Appellate Division, which give rise to the question" (Petition, p. 6, l. 13) now presented by it to the United States Supreme Court. In Paragraphs 8 to 10 of its Statement of the Case (Petition, pp. 6, 7), Petitioner claims that the "Appellate Division determined the scope of the patent monopoly solely in terms of the language of the claims, notwithstanding the specification." The Appellate Division did use the phrase "notwithstanding the specifications", but it is quite apparent that Petitioner, for the purpose of making this point, has lifted the phrase out of context. The Appellate Division held:

> "But it is elementary that while the claims of a patent must be 'interpreted in the light of its specifications,' *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 311 U.S. 211, 217 (1940), it is the claims which are the real measure of the invention covered by the patent. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 339 (1961); 35 U.S.C.A. 112. * * * There is a substantial difference between interpreting a claim 'in the light of' the specifications, on the one hand, and raising the specifications to the level of a declaration of invention on the other." (Petitioner's Appendix C, p. 37, ll. 20-34).

Later in the opinion the Appellate Division again reverted to this point:

> "However, as noted above, while the specifications may shed light on the claims, it is axiomatic that the latter are the real measure of the invention covered by the patent [citing authorities]. In the specifications, the patentee is only required to 'set forth the *best* mode * * * of carrying out his invention'. (*Ibid.* (emphasis added). It is obvious that 'best' does not mean 'only,' see *Smith* v. *Snow*, 294 U.S. 1, 11 (1935), for 'if this were so [,] most patents would be of little worth. * * * The invention, of course, must be described and the mode of putting it to practical use, but the claims measure the invention'. *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, *supra* (210 U.S. at pp. 418-419). * * *
>
> "We thus conclude that *notwithstanding the specifications* of the patent the most reasonable and natural interpretation of the claim language last above quoted is that 'level of the liquid' refers to the point where the sheets enter the liquid. * * * To conclude otherwise because of the specifications would be 'to read the specifications, which taken in their entirety are merely descriptive or illustrative of [the] invention [citations omitted], as though they were claims whose function is to exclude from the patent all that is not specifically claimed'. *Marconi Wireless Teleg. Co.* v. *United States*, 320 U.S. 1, 23 (1943)" (Petitioner's Appendix C, p. 48, 49) (emphasis added).

The opinion of the Appellate Division on this issue is clearly sustained by the authorities. It plainly recognizes that the specifications may shed light on the claims, which in the last analysis "measure the invention"; but it does not hold, as Petitioner now claims, that the scope of the patent

is determined "solely" by the claims "notwithstanding the specifications."

4. Next, Petitioner asserts in its Statement of the Case—Par. 8 and 11 to 13 thereof (Petition, pp. 6 to 9)—that the Appellate Division "disregarded the *only* testimony in the case bearing on the scope of the invention" (emphasis added), viz., the testimony of defendant's expert. This is plain error (quite apart from the fact that it raises a wholly factual issue). Plaintiff produced at the trial an expert witness who testified at length with respect to the scope of the invention; in fact his testimony on the subject is more extensive than that of defendant's expert. With respect to the length of the upper and intermediate guide plates in the patented machine, a matter which seems to concern the Petitioner especially, the testimony of plaintiff's expert extends from P95a-1 to 95a-41; 133a-13 to 137a-30; and 172a-12 to 185a-33 (references are to plaintiff's appendix before the Appellate Division). The record before the Appellate Division therefore contains, not only the testimony of defendant's expert, but also the differing testimony of plaintiff's expert, both dealing with the scope of the patent. The court rejected that of defendant's expert.

5. Referring further to this testimony of defendant's expert, Petitioner asserts that the Appellate Division "made no finding of fact * * * contrary" (Petition, p. 8, l. 5) to his testimony. This too, is obvious error. Under the practice of New Jersey, where an opinion is filed dealing with the facts, it is "unnecessary [for a court] to make other findings of fact" (N.J. Rules of Court R.R. 4:53-2). The Appellate Division's findings of fact with respect to the scope of the invention and, in particular, the length of the upper and intermediate guide plates cover 20 pages of Ampto's Petition, namely, from the top of page 45 to the bottom of page 65. These are carefully detailed findings,

first stating in substance the contention of defendant's expert with respect to the upper and intermediate guide plates on the patented machine, and then spelling out clearly and (we submit) with much force its reason for rejecting that contention.

6. Next, Petitioner in Par. 14 to 16 of its Statement of the Case (Petition, pp. 9-10), argues that the Appellate Division "disregarded" *Lumoprint-Zindler K.G.* v. *Boeger*, a case decided November 27, 1962 (published December 21, 1962) by the First Court of Civil Law of the Supreme Court of West Germany. On the contrary the Appellate Division did not disregard this German case, but gave Ampto the benefit of the decision, although holding that the case should receive only "qualified weight because of the substantial difference in wording between the German patent and that involved here * * *" (Petitioner's Appendix C, p. 49, ll. 17 to 31).

7. Then in Paragraph 17 of its Statement of the Case (Petition, pp. 10-11), Petitioner claims that the Appellate Division "disregarded" the patentee's (Eisbein's) subsequent interpretation of his own patent. This obviously is not so. The Appellate Division carefully considered this alleged interpretation by Eisbein of his patent, and held that there was nothing to defendant's contention. See Appellate Division opinion, Petitioner's Appendix C, p. 51, l. 19 to p. 52, l. 7.

8. In Paragraph 18 of its Statement of the Case (Petition, p. 11), Ampto alleges that the Appellate Division "disregarded" the fact that Apeco in the litigation with Copease in the United States District Court for the Northern District of Illinois and in the appeal therefrom to the Court of Appeals of the Seventh Circuit, took a position contrary to that maintained by it in the New Jersey Appellate Division. In this Federal case, Copease sued Apeco

for infringement; Apeco defended on the ground that the Eisbein patent was invalid. The Seventh Circuit Court of Appeals rejected the defense and sustained the patent. Apeco then bought the Eisbein patent on the strength of the decision of the Court of Appeals, and having bought it on that basis, was entitled to have the benefit of this decision. While the New Jersey Appellate Division does not deal with this matter in its opinion, it nevertheless on the oral argument very strongly rejected Ampto's present contention.

9. After the decision of the Court of Appeals of the Seventh Circuit above referred to, a consent decree was entered by the District Court of the Northern District of Illinois in an action by Apeco against Speed-O-Print Corp. *American Photocopy Equipment Company* v. *Speed-O-Print Corp.* (D. C. N. D. Ill., Docket No. 60-C-1053, November 2, 1962). This was noted by the Appellate Division, although it did not rely on this decree for its conclusions (Petitioner's Appendix C, p. 37, ll. 2 to 9). By the terms of the consent decree it was adjudicated that "all photocopy machines manufactured for sale by defendant [Speed-O-Print Corp.]" constituted a violation of the Eisbein patent, resulting in a recovery from Speed-O-Print Corp. of $377,628.86 by way of damages for such infringement (Petition, p. 16, l. 16). Furthermore as shown by P5sa-32 (reference is made to p. 5 of Apeco's Supplemental Appendix before the Appellate Division, line 32), it was determined by this decree that one of the two machines with which the present action is concerned, namely the machine designated as Ampto 9, sold by Speed-O-Print Corp. to Petitioner, violated the Eisbein patent; and Apeco was held entitled to damages because of Speed-O-Print Corp.'s manufacture and sale of this very machine.

10. It might be added, in connection with Petitioner's discussion of the opinion of the Appellate Division, that

Petitioner in stating its reasons for the allowance of the writ cites *Westinghouse Elec. & Mfg. Co.* v. *Formica Insulation Co.*, 266 U. S. 342, 351, 69 L. ed. 316, 45 S. Ct. 117 (1924) for the proposition that while Petitioner, as licensee, is estopped to challenge the validity of its licensor's patent, still it may properly require the court to pass upon the scope of the patent. In particular, notwithstanding this estoppel (as held in a passage from *Formica Insulation Co.* cited by Petitioner) "the state of the art may be used to construe and narrow the claims of the patent." The force of the point escapes us, for the Appellate Division held precisely this. Petitioner's Appendix C, p. 43, ll. 5 to 16. Of course the rule which estops a licensee of a patent from attacking the validity of the patent applies in federal and state courts alike. The licensee should not be permitted to escape the obligations of his contract to pay money, by attacking the validity of the patent.

III

Reasons for Disallowing the Writ

1. "The Question Presented for Review" as stated in the Petition, is as follows:

> "In a State Court action for patent license royalties, does the Court have authority under the Patent Clause of the United States Constitution to determine the patent monopoly to be broader than the patented invention"?

Variations of this question are repeated on page 13 of the Petition, Pars. 2 to 4- all of them assuming that because of errors of the Appellate Division, the plaintiff acquired a patent monopoly broader than Eisbein's invention (one variation is so preposterous as to indicate that Petitioner has "conclusively" shown by the Petition that the Appel-

late Division is wrong. Petition, p. 13, ll. 18 and 20). There is no merit whatever to this assumption. But, leaving that aside, the question presented for review *seems to be,* in essence, whether a state court in action for royalties under a licensing agreement should have authority to pass upon the scope of the invention.

2. It is settled law in this country that a suit for royalties under a patent-licensing agreement is cognizable in a State court and that in such a suit the State court may determine the scope of a patent. That a suit by a patentee for royalties is cognizable in a State court, see *Luckett* v. *Delpark*, 270 U. S. 496, 70 L. ed. 703, 46 S. Ct. 397 (1926), where it was held:

> "It is a general rule that a suit by a patentee for royalties under a license or assignment granted by him * * * is not a suit under the patent laws of the United States, and cannot be maintained in a Federal Court as such."

There is a long line of cases decided by this court to this effect, including *Wilson* v. *Sanford*, 51 U. S. (10 How.) 99, 13 L. ed. 344 (1850); *Felix* v. *Schwarzwaeber*, 125 U. S. 54, 31 L. ed. 687, 8 S. Ct. 759 (1888); *Wade* v. *Lawler*, 165 U. S. 624, 41 L. ed. 851, 17 S. Ct. 425 (1897); *Geneva Furniture Mfg. Co.* v. *S. Karpen & Bros.*, 238 U. S. 254, 59 L. ed. 1295, 35 S. Ct. 788 (1915); *Briggs* v. *United Shoe Machinery Co.*, 239 U. S. 48, 60 L. ed. 138, 36 S. Ct. 6 (1915); *Odell* v. *Farnsworth Co.*, 250 U. S. 501, 63 L. ed. 1111, 39 S. Ct. 516 (1919); *Independent Wireless Teleg. Co.* v. *Radio Corp.*, 269 U. S. 459, 70 L. ed. 357, 46 S. Ct. 166 (1926); 40 *Am. Jur. Patents* §170, and particularly the pocket supplement, containing numerous citations; Annot. 167 ALR 1118; 21 C.J.S. Courts §526; 3 *Walker Patents* (Deller's ed.) §413, 414; 2 *Moore's Fed. Prac.* §2.07

[2] (2d ed. 1964); Note on *Federal and State Court Jurisdiction in Patent Matters*, Hart and Wechsler, *The Federal Courts and The Federal System*, 754 (1953).

3. In *Pratt* v. *Paris Gaslight & Coke Co.*, 168 U. S. 255, 42 L. ed. 458, 18 S. Ct. 62 (1897), a suit was brought in a State court for the price of a patented machine. The defense was that the patent was void, and hence that defendant had no right to use the machine. The case holds—and it is the sole point in the case—that the State court has the power to pass on the validity of a patent in an action on a contract. The court noted that in such an action, whether for royalties or otherwise:

> "* * * the principle seems well established that any defense which goes to the validity of the patent is available in the state courts."

To the same effect, see *Becher* v. *Contoure Labs., Inc.*, 279 U. S. 388, 73 L. ed. 752, 49 S. Ct. 356 (1929), an opinion by Mr. Justice Holmes holding that in an action to impose a constructive trust upon letters patent the State court has jurisdiction of the case even though the court is called upon to determine the validity of the patent. So it was held in *Lear Siegler Inc.* v. *Atkins*, 330 F. 2d. 595, 600 (9th Cir. 1964):

> "It follows, and the [Supreme] Court has held, in *Pratt* and in *Becher*, that in an action in a state court based upon [a patent licensing] agreement, the state court can, where it becomes necessary for it to do so in order to decide the case before it, pass upon the meaning, the scope, the validity, or the infringement of the patent."

In *Vanderveer* v. *Erie Malleable Iron Company*, 238 F. 2d. 510, 513 (3rd Cir. 1956), it was held:

> "Although the bringing of actions arising under the patent laws is admittedly restricted to the Federal Courts it has long been established that actions brought to enforce contracts of which a patent is the subject must in the absence of diversity of citizenship be brought in the state courts. The Supreme Court has held that a state court is empowered to determine questions, as distinguished from cases, arising under the patent laws, to try questions of title to patents, to construe and enforce contracts relating to patents, and to determine the validity of patents. * * *"

The case last cited held that

> "* * * a finding by a state court in a suit for royalties under a license agreement that the licensee's product was not within the claims of the patent, must be given the effect of collateral estoppel in a subsequent infringement suit between the same parties in the federal court, to the extent of precluding the assertion by the patent owner that the same product infringes the claims of the same patent. The fact of noninfringement must be taken as conclusively established. Beyond this, however, the federal court is not barred by the judgment of the state court * * *".

This court denied certiorari. 353 U. S. 937, 1 L. ed. 2d. 760, 77 S. Ct. 815 (1957).

4. Petitioner states that "the very point at issue" (Petition Pars. 8 and 9, pp. 14 and 15) was posed in *MacGregor v. Westinghouse Electric & Mfg. Co.*, 329 U. S. 402, 407, 91 L. ed. 380, 385, 61 S. Ct. 421, 423 (1947), but not answered by the court. The question raised in that case, to which Petitioner refers, was whether a "license contract should be held unenforceable in the courts" where the licensor "*had attempted to use it to extend the patent scope*

beyond its lawful coverage" (emphasis added). No attempt was made by Copease, through the licensing agreement here, to extend the scope of the Eisbein patent. Under the licensing agreement, Ampto simply "agrees to pay a royalty of six per cent (6%) of the net retail selling price for each photocopy machine embodying any of said inventions' covered by U. S. Patent No. 2,657,618 in the name of Walter Eisbein (P350a-40, Appellate Division); the license does not extend any further than the patent. Hence *MacGregor* is not pertinent to Petitioner's contention. But *MacGregor* does pass on another question which is pertinent to our contention. The *United States Supreme Court* in this opinion by Mr. Justice Black, *remanded the case to a State court*, the Supreme Court of Pennsylvania, "for a new trial *to determine the validity of Westinghouse's patent*" (emphasis added). If an issue as to the validity of a patent is cognizable in a state court, a fortiori an issue as to the scope of a patent is cognizable there. *MacGregor* is therefore in accord with the whole stream of authority cited on pages 9 to 11 *supra*, holding that in a suit in a state court for the recovery of royalties due under a patent license contract, the court may determine the validity and scope of the patent.

5. The statute gives to the Federal courts exclusive jurisdiction "of any civil action *arising under* any Act of Congress relating to patents," 28 U.S.C.A. §1338 (emphasis added). It has been repeatedly held that the policies underlying this statute do not extend so far as to give the Federal courts exclusive jurisdiction to decide incidental questions as to the scope of a patent which arise in a common law cause of action. See the cases cited in Paragraph 3 above with respect to a contract for the payment of royalties under a patent license. Such a cause of action cannot be deemed to be one arising under any Act of Congress. *American Well Works* v. *Lane & Bowler Co.*, 241 U.S. 257,

60 L. ed. 987, 36 S. Ct. 585 (1916), was a suit for slander of title to a patented device, the alleged slander being a statement by defendant that plaintiff's (patented) device infringed defendant's patented device. Mr. Justice HOLMES held for the court:

> "*A suit arises under the law that creates the cause of action* (emphasis added). The fact that the justification [which the defendant might plead, e.g., that plaintiff was in truth infringing defendant's patent] may involve the validity and infringement of a patent is no more material to the question under what law the suit is brought than it would be in an action of contract."

Hart & Wechsler, supra, p. 765, commenting on Mr. Justice HOLMES' test as to the phrase "arising under," say:

> "Holmes' test may also be used to explain a wide variety of cases in which an affirmative claim under federal law is in some sense an ingredient of the legal position which the plaintiff asserts but in which, by construction, the federal law does not confer the particular right of action sought to be enforced. Cases of contracts involving patent rights are of this type."

The cause of action which Apeco has against Ampto by reason of the latter's breach of its contract to pay royalties is not *created* by an Act of Congress; the State law creates it. Incidentally to overrule this settled rule of law and require the federal courts to take jurisdiction of all State court litigation which involves a patent question would be counter to the established "policy underlying the strict construction of the congressional grant of jurisdiction" (62 Har. L. Rev. 803 (1949))—and counter also to the tendency of our law resting in part on purely pragmatic grounds, "not to enlarge but to reduce federal jurisdiction" (*Zalkind v. Scheinman*, 139 F. 2d 895, 903 (2nd Cir. 1943)).

6. The Petition poses no question of such a dimension as to warrant the grant of certiorari. On the contrary it raises only a long settled question which has been, we submit, well settled. In the first place therefore, there plainly is no federal question presented here. In the second place, assuming *arguendo* that such a question is now presented, it was raised too late in the proceedings below to be of avail now. Not until Petitioner filed its petition to the Supreme Court of New Jersey for certification was this alleged question brought into the case; and the attempt on the part of Petitioner to show that it had been raised in the trial court or the Appellate Division is utterly without merit. In this case, as Petitioner states (Petition, p. 2, l. 19), "certiorari is directed to the Appellate Division pursuant to *Western Union* v. *Priester* (1928) 276 U.S. 252 [72 L. ed. 555] 48 S. Ct. 234 * * *" Raising the purported federal question for the first time in the petition to the New Jersey Supreme Court for certification puts Petitioner in no better position than if it had raised the point for the first time on a petition to the Appellate Division for rehearing (in fact Petitioner's position would be more meritorious if it had raised the question on such a petition to the Appellate Division, since then it would have brought the federal question home to the court which actually decided the case). But to raise the federal question for the first time on a rehearing petition to the Appellate Division would have been timely only "if the ruling of the state court could not have been anticipated and a petition for rehearing presented the first opportunity for raising it." *Herndon* v. *Georgia*, 295 U.S. 441, 79 L. ed. 1530, 55 S. Ct. 794 (1935); see also *Beck* v. *Washington*, 369 U.S. 541, 8 L. ed. 2d 98, 82 S. Ct. 955 (1962). It cannot be maintained by Petitioner that the purported federal question was brought into the case by the Appellate Division as a surprise or on a basis that "could not have been

anticipated." Petitioner obviously could have anticipated a finding by the Appellate Division that its apparatus embodied the Eisbein invention; this was the decision which Apeco was asking the Appellate Division to make. Such a decision, no matter how it was framed, would necessarily have raised the purported federal question under Petitioner's reasoning. Yet even with this expectation, Petitioner makes no mention of that question in any of the copious papers filed by it with the Appellate Division, nor in any way directly discusses the question. For this reason alone the Petition should be denied.

CONCLUSION

The writ of certiorari should be denied.

CLAPP & EISENBERG,
Attorneys for American Photocopy Equipment Company, Respondent.

ALFRED C. CLAPP,
Counsel for Respondent.